



**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Howland Local School District
Trumbull County
8200 South Street S.E.
Warren, Ohio 44484

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Howland Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Howland Local School District, Trumbull County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 26, 2001

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**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,241,383	\$268,727	\$37,348	\$248,952
Cash and Cash Equivalents With Fiscal Agents			366	
Receivables:				
Taxes	17,955,860			
Accounts	803			
Intergovernmental	3,000			
Accrued Interest	45,252			
Interfund Receivable	1,200			
Prepaid Items	21,985			
Inventory Held for Resale				
Materials and Supplies Inventory	40,669			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	168,098			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$20,478,250	\$268,727	\$37,714	\$248,952

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$158,189	\$2,587,143	\$40,202			\$5,581,944
					366
					17,955,860
310					1,113
19,564					22,564
					45,252
					1,200
					21,985
15,492					15,492
3,545					44,214
					168,098
249,594			20,038,077		20,287,671
				37,348	37,348
				2,600,858	2,600,858
<u>\$446,694</u>	<u>\$2,587,143</u>	<u>\$40,202</u>	<u>\$20,038,077</u>	<u>\$2,638,206</u>	<u>\$46,783,965</u>

(continued)

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities,				
Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$80,500	\$76,189		\$36,000
Accrued Wages	2,048,424	52,804		
Compensated Absences Payable	29,027			
Interfund Payable				
Intergovernmental Payable	408,981	10,095		
Deferred Revenue	17,906,540			
Due to Students				
Matured Interest Payable			366	
Accrued Interest Payable				13,711
Notes Payable				452,000
Claims Payable				
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	20,473,472	139,088	366	501,711
Fund Equity and Other Credits				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	37,603	12,359		
Reserved for Inventory	40,669			
Reserved for Budget Stabilization	168,098			
Reserved for Property Taxes	49,320			
Unreserved:				
Designated for Budget Stabilization	171,462			
Undesignated (Deficit)	(462,374)	117,280	37,348	(252,759)
Total Fund Equity (Deficit) and Other Credits	4,778	129,639	37,348	(252,759)
Total Liabilities, Fund Equity and Other Credits	\$20,478,250	\$268,727	\$37,714	\$248,952

See accompanying notes to general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
					\$192,689
44,005					2,145,233
47,567				2,307,150	2,383,744
1,200					1,200
37,141				178,583	634,800
5,393					17,911,933
		40,202			40,202
					366
					13,711
					452,000
	157,214				157,214
				77,473	77,473
				75,000	75,000
<u>135,306</u>	<u>157,214</u>	<u>40,202</u>	<u>0</u>	<u>2,638,206</u>	<u>24,085,565</u>
			20,038,077		20,038,077
67,168					67,168
244,220	2,429,929				2,674,149
					49,962
					40,669
					168,098
					49,320
					171,462
					(560,505)
<u>311,388</u>	<u>2,429,929</u>	<u>0</u>	<u>20,038,077</u>	<u>0</u>	<u>22,698,400</u>
<u>\$446,694</u>	<u>\$2,587,143</u>	<u>\$40,202</u>	<u>\$20,038,077</u>	<u>\$2,638,206</u>	<u>\$46,783,965</u>

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**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Taxes	\$16,266,347		\$111,943	\$77,676	\$16,455,966
Intergovernmental	5,699,745	730,587		161,321	6,591,653
Interest	483,433	2,173			485,606
Tuition and Fees	184,840				184,840
Extracurricular Activities		194,277			194,277
Gifts and Donations	4,000	52,293			56,293
Rent	740				740
Miscellaneous	59,338	20,353		10,000	89,691
Total Revenues	<u>22,698,443</u>	<u>999,683</u>	<u>111,943</u>	<u>248,997</u>	<u>24,059,066</u>
Expenditures					
Current:					
Instruction:					
Regular	10,473,501	178,237			10,651,738
Special	3,095,547	253,157			3,348,704
Vocational	266,043				266,043
Support Services:					
Pupils	1,043,660	6,726			1,050,386
Instructional Staff	872,250	209,634			1,081,884
Board of Education	179,150				179,150
Administration	1,934,241	39,018			1,973,259
Fiscal	569,003				569,003
Business	94,903				94,903
Operation and Maintenance of Plant	2,461,450	12,500			2,473,950
Pupil Transportation	1,238,105				1,238,105
Central	21,220	9,706			30,926
Operation of Non-Instructional Services	213	225,101			225,314
Extracurricular Activities	503,371	97,692			601,063
Capital Outlay				315,126	315,126
Debt Service:					
Principal Retirement			108,457		108,457
Interest and Fiscal Charges			8,542	18,107	26,649
Total Expenditures	<u>22,752,657</u>	<u>1,031,771</u>	<u>116,999</u>	<u>333,233</u>	<u>24,234,660</u>
Excess of Revenues Under Expenditures	(54,214)	(32,088)	(5,056)	(84,236)	(175,594)
Fund Balances (Deficit) Beginning of Year	65,922	161,727	42,404	(168,523)	101,530
Decrease in Reserve for Inventory	(6,930)				(6,930)
Fund Balances (Deficit) End of Year	<u>\$4,778</u>	<u>\$129,639</u>	<u>\$37,348</u>	<u>(\$252,759)</u>	<u>(\$80,994)</u>

See accompanying notes to the general purpose financial statements

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$16,159,440	\$16,246,717	\$87,277			
Intergovernmental	5,670,000	5,696,895	26,895	727,163	730,587	3,424
Interest	431,000	426,943	(4,057)	2,173	2,173	
Tuition and Fees	171,000	185,280	14,280			
Extracurricular Activities				198,000	194,380	(3,620)
Gifts and Donations	2,000	4,000	2,000	41,450	52,293	10,843
Rent	1,000	740	(260)			
Miscellaneous	31,547	58,535	26,988	12,100	20,353	8,253
Total Revenues	22,465,987	22,619,110	153,123	980,886	999,786	18,900
Expenditures						
Current:						
Instruction:						
Regular	10,669,619	10,573,241	96,378	242,792	252,601	(9,809)
Special	3,100,334	2,987,275	113,059	205,342	191,086	14,256
Vocational	270,000	266,579	3,421			
Support Services:						
Pupils	1,095,456	1,065,085	30,371	8,399	6,806	1,593
Instructional Staff	956,866	874,614	82,252	206,186	209,824	(3,638)
Board of Education	191,034	179,259	11,775			
Administration	2,076,668	1,952,625	124,043	31,933	36,774	(4,841)
Fiscal	586,150	568,659	17,491			
Business	98,000	96,679	1,321			
Operation and Maintenance of Plant	2,682,922	2,487,045	195,877			
Pupil Transportation	1,583,243	1,407,557	175,686			
Central	22,000	21,220	780	9,706	9,706	
Operation of Non-Instructional Services	1,000	213	787	221,712	241,975	(20,263)
Extracurricular Activities	486,841	483,994	2,847	104,429	98,101	6,328
Capital Outlay						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	23,820,133	22,964,045	856,088	1,030,499	1,046,873	(16,374)
Excess of Revenues Over (Under) Expenditures	(1,354,146)	(344,935)	1,009,211	(49,613)	(47,087)	2,526
Fund Balances						
Beginning of Year	2,159,299	2,159,299	0	205,624	205,624	0
Prior Year Encumbrances Appropriat	285,233	285,233	0	18,091	18,091	0
Fund Balances End of Year	\$1,090,386	\$2,099,597	\$1,009,211	\$174,102	\$176,628	\$2,526

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$195,000	\$190,000	(\$5,000)				\$16,354,440	\$16,436,717	\$82,277
			140,000	161,321	21,321	6,537,163	6,588,803	51,640
						433,173	429,116	(4,057)
						171,000	185,280	14,280
						198,000	194,380	(3,620)
						43,450	56,293	12,843
						1,000	740	(260)
			10,000	10,000		53,647	88,888	35,241
195,000	190,000	(5,000)	150,000	171,321	21,321	23,791,873	23,980,217	188,344
						10,912,411	10,825,842	86,569
						3,305,676	3,178,361	127,315
						270,000	266,579	3,421
						1,103,855	1,071,891	31,964
						1,163,052	1,084,438	78,614
						191,034	179,259	11,775
						2,108,601	1,989,399	119,202
						586,150	568,659	17,491
						98,000	96,679	1,321
						2,682,922	2,487,045	195,877
						1,583,243	1,407,557	175,686
						31,706	30,926	780
						222,712	242,188	(19,476)
						591,270	582,095	9,175
			535,337	369,876	165,461	535,337	369,876	165,461
165,000	164,957	43				165,000	164,957	43
30,000	29,718	282				30,000	29,718	282
195,000	194,675	325	535,337	369,876	165,461	25,580,969	24,575,469	1,005,500
0	(4,675)	(4,675)	(385,337)	(198,555)	186,782	(1,789,096)	(595,252)	1,193,844
42,023	42,023	0	138,667	138,667	0	2,545,613	2,545,613	0
0	0	0	272,840	272,840	0	576,164	576,164	0
\$42,023	\$37,348	(\$4,675)	\$26,170	\$212,952	\$186,782	\$1,332,681	\$2,526,525	\$1,193,844

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES
EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating Revenues			
Sales	\$596,558		\$596,558
Charges for Services		2,254,623	2,254,623
Total Operating Revenues	<u>596,558</u>	<u>2,254,623</u>	<u>2,851,181</u>
Operating Expenses			
Salaries	228,809		228,809
Fringe Benefits	134,534		134,534
Purchased Services	1,633		1,633
Materials and Supplies	21,365		21,365
Cost of Sales	356,777		356,777
Depreciation	26,154		26,154
Other	1,053		1,053
Claims		1,804,482	1,804,482
Total Operating Expenses	<u>770,325</u>	<u>1,804,482</u>	<u>2,574,807</u>
Operating Income (Loss)	<u>(173,767)</u>	<u>450,141</u>	<u>276,374</u>
Non-Operating Revenues			
Federal Donated Commodities	28,552		28,552
Interest	6,104		6,104
Operating Grants	144,652		144,652
Total Non-Operating Revenues	<u>179,308</u>	<u>0</u>	<u>179,308</u>
Net Income	5,541	450,141	455,682
Retained Earnings Beginning of Year	<u>238,679</u>	<u>1,979,788</u>	<u>2,218,467</u>
Retained Earnings End of Year	244,220	2,429,929	2,674,149
Contributed Capital Beginning and End of Year	<u>67,168</u>		<u>67,168</u>
Total Fund Equity End of Year	<u>\$311,388</u>	<u>\$2,429,929</u>	<u>\$2,741,317</u>

See accompanying notes to the general purpose financial statements

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**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - BUDGET (NON - GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$580,000	\$596,318	\$16,318
Charges for Services			
Interest	6,000	6,104	104
Operating Grants	136,000	144,314	8,314
Total Revenues	722,000	746,736	24,736
Expenses			
Salaries	287,000	274,251	12,749
Fringe Benefits	108,000	96,198	11,802
Purchased Services	5,500	1,742	3,758
Materials and Supplies	391,800	352,389	39,411
Capital Outlay	6,000	3,000	3,000
Other	1,100	1,053	47
Claims			
Total Expenses	799,400	728,633	70,767
Excess of Revenues Over (Under) Expenses	(77,400)	18,103	95,503
Fund Equity Beginning of Year	133,796	133,796	
Prior Year Encumbrances Appropriated	3,000	3,000	
Fund Equity End of Year	\$59,396	\$154,899	\$95,503

See accompanying notes to the general purpose financial statements

Internal Service Fund			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$580,000	\$596,318	\$16,318
2,200,000	2,254,623	54,623	2,200,000	2,254,623	54,623
			6,000	6,104	104
			136,000	144,314	8,314
2,200,000	2,254,623	54,623	2,922,000	3,001,359	79,359
			287,000	274,251	12,749
			108,000	96,198	11,802
			5,500	1,742	3,758
			391,800	352,389	39,411
			6,000	3,000	3,000
			1,100	1,053	47
2,000,000	1,778,281	221,719	2,000,000	1,778,281	221,719
2,000,000	1,778,281	221,719	2,799,400	2,506,914	292,486
200,000	476,342	276,342	122,600	494,445	371,845
2,110,801	2,110,801		2,244,597	2,244,597	
			3,000	3,000	
\$2,310,801	\$2,587,143	\$276,342	\$2,370,197	\$2,742,042	\$371,845

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$596,318		\$596,318
Cash Received from Quasi-External Transactions with Other Funds		2,254,623	2,254,623
Cash Payments to Suppliers for Goods and Services	(353,809)		(353,809)
Cash Payments to Employees for Services	(274,251)		(274,251)
Cash Payments for Employee Benefits	(96,198)		(96,198)
Cash Payments for Other Operating Expenses	(1,053)		(1,053)
Cash Payments for Claims		(1,778,281)	(1,778,281)
Net Cash Provided by (Used for) Operating Activities	(128,993)	476,342	347,349
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	144,314		144,314
Cash Flows from Capital and Related Financing Activities			
Payments for Capital Acquisitions	(3,000)		(3,000)
Cash Flows from Investing Activities:			
Interest on Investments	6,104		6,104
Net Increase in Cash and Cash Equivalents	18,425	476,342	494,767
Cash and Cash Equivalents Beginning of Year	139,764	2,110,801	2,250,565
Cash and Cash Equivalents End of Year	<u>\$158,189</u>	<u>\$2,587,143</u>	<u>\$2,745,332</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	<u>(\$173,767)</u>	<u>\$450,141</u>	<u>\$276,374</u>
Adjustments:			
Depreciation	26,154		26,154
Donated Commodities Used During Year	28,552		28,552
Decrease/(Increase) in Assets:			
Accounts Receivable	(240)		(240)
Inventory Held for Resale	(1,729)		(1,729)
Materials and Supplies Inventory	(1,179)		(1,179)
Increase/(Decrease) in Liabilities:			
Accrued Wages	3,428		3,428
Compensated Absences Payable	(12,052)		(12,052)
Intergovernmental Payable	1,840		1,840
Claims Payable		26,201	26,201
Total Adjustments	44,774	26,201	70,975
Net Cash Provided by (Used for) Operating Activities	<u>(\$128,993)</u>	<u>\$476,342</u>	<u>\$347,349</u>

See accompanying notes to the general purpose financial statements

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Howland Local School District (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. Each member is elected to a four-year term. The School District provides educational services as authorized by State and/or federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 166 non-certificated and 233 full-time teaching personnel and administrative employees who provide services to 3,464 students and other community members.

The School District was established in 1804 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 20 square miles. It is located in Trumbull County and encompasses Howland Township and portions of the cities of Warren and Niles. The School District is the 120th largest in the State of Ohio (among 612 school districts) in terms of enrollment. The School District operates two elementary schools (K-2), two intermediate schools (3-5), one middle school (6-8) and one high school (9-12).

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District 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 Howland Local School District, this includes general operations, food service, recreation and related activities.

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 following activities are included within the reporting entity:

Non-public Schools

Within the School District boundaries, the Notre Dame School - Queen of All Saints is operated as a private school through the Youngstown Catholic Diocese. The Word of Life Christian Academy is operated as an independent Christian school chartered by the Ohio Department of Education. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public schools. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District is associated with five jointly governed organizations and one insurance purchasing pool. These organizations are the North East Ohio Management Information Network (NEOMIN), the North-East Ohio Instructional Media Center (NEOIMC), the North East Ohio Special Education Regional Resource Center (NEO/SERRC), the Region 12 Professional Development Center (Center), the Vocational Compact and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The general purpose 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

General Fund

The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for 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.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund

This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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 year-end.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations 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 fiscal 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 non-exchange 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, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimates resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level without resolution by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balances in this account are presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represent deposits or short-term investments in certificates of deposit.

During fiscal year 2001, investments were limited to STAR Ohio, the State Treasurer's Investment Pool and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Assets Reserve (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$483,433, which includes \$270,555 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, 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 considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 22 for additional information regarding set-asides.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.

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. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life that ranges from five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

J. Compensated Absences

The liability for compensated absences is based on provisions of GASB Statement No. 16, "Accounting for 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service. For governmental funds, these amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Contributed Capital

Contributed capital in the proprietary funds represents resources received from other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

L. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are considered not to have been made with current available financial resources. Bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio Law, a debt retirement fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been split accordingly.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves and Designations

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. Designations represent tentative plans for future use of financial resources. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of materials and supplies, taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Fund balance in the general fund includes a designation that represents the amount set-aside by the Board of Education for budget stabilization in excess of the statutory requirement.

O. Estimates

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

P. Totals Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." At June 30, 2000, there was no effect on fund balance/retained earnings as a result of these implementations.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. FUND DEFICITS

The Auxiliary Services special revenue fund had a fund deficit of \$8,917. This deficit is a result of accrual accounting. The general fund is liable for any deficits in this fund and provides operating transfers when cash is required, not when accruals occur.

The House Bill 264 capital projects fund has a fund deficit of \$465,711. The deficit is the result of the issuance of short-term bond anticipation notes. Once bonds are issued and the liability reported in the general long-term obligations account group rather than in the fund, the deficit fund balance will be eliminated.

The Uniform School Supply enterprise fund had a retained earnings deficit of \$213 which resulted from the application of generally accepted accounting principles. The School District is reviewing the uniform school supply operations to determine if steps need to be taken to insure that the fund is self-sustaining.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual-All Proprietary Fund Types are 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 basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues Under Expenditures
All Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$54,214)	(\$32,088)	(\$5,056)	(\$84,236)
Revenue Accruals	(79,333)	103	381	0
Revenue for the Repayment of Debt	0	0	77,676	(77,676)
Expenditure Accruals	(93,285)	73,646	0	(21,819)
Principal Retirement	0	0	(56,500)	0
Interest and Fiscal Charges	0	0	(21,176)	21,176
Encumbrances	(118,103)	(88,748)	0	(36,000)
Budget Basis	<u>(\$344,935)</u>	<u>(\$47,087)</u>	<u>(\$4,675)</u>	<u>(\$198,555)</u>

**Net Income/Excess of Revenues
Over Expenses
All Proprietary Fund Types**

	Enterprise	Internal Service
GAAP Basis	\$5,541	\$450,141
Revenue Accruals	(578)	0
Expense Accruals	(10,014)	26,201
Capital Outlay	(3,000)	0
Depreciation Expense	26,154	0
Budget Basis	<u>\$18,103</u>	<u>\$476,342</u>

6. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 the Board of Education has identified as not required for use within the current two 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.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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 deposits 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, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand

At year end, the School District had \$4,350 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits

At year end the carrying amount of the School District's deposits was \$1,060,671 and the bank balance was \$1,951,085. Of the bank balance, \$400,000 was covered by federal depository insurance, and \$1,551,085 was uncollateralized and uninsured. Although the securities were held by the pledging financial institution's trust department or agent in the financial institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	\$712,033	\$712,033	\$712,033
STAROhio		3,973,354	3,973,354
<i>Total Investments</i>	\$712,033	\$4,685,387	\$4,685,387

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$5,750,408	\$0
Cash on Hand	(4,350)	
Investments of the Cash Management Pool:		
Repurchase Agreement	(712,033)	712,033
STAROhio	(3,973,354)	3,973,354
<i>GASB Statement No. 3</i>	<u>\$1,060,671</u>	<u>\$4,685,387</u>

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar year 2001 for real and public utility property taxes represents collections of calendar year 2000 taxes. Property tax payments received during calendar year 2001 for tangible personal property (other than public utility property) is for calendar year 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2001 public utility taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the values as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value. The assessed value upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$430,653,350	76.26%	\$446,501,260	76.36%
Public Utility Personal	13,716,850	2.43	14,027,160	2.40
Tangible Personal Property	120,372,371	21.31	124,174,025	21.24
Total	<u>\$564,742,571</u>	<u>100.00%</u>	<u>\$584,702,445</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed	\$37.84		\$37.80	

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payments is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits late payments dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payments is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represented delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance in the general fund at June 30, 2001, was \$49,320 and is recognized as revenue.

8. RECEIVABLES

Receivables at June 30, 2001 consisted of property taxes, accounts (rent, billings for user charged services, and tuition and fees), interfund, intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<i>General Fund:</i>	
County Auditor	\$3,000
<i>Food Service Enterprise Fund:</i>	
State and Federal Subsidies	19,564
<i>Total All Funds</i>	\$22,564

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$521,645
Less Accumulated Depreciation	(272,051)
Net Fixed Assets	\$249,594

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$1,776,465	\$0	\$0	\$1,776,465
Building and Improvements	9,961,865	0	0	9,961,865
Furniture and Equipment	6,207,567	128,392	55,851	6,280,108
Vehicles	1,881,795	240,844	103,000	2,019,639
<i>Totals</i>	<u>\$19,827,692</u>	<u>\$369,236</u>	<u>\$158,851</u>	<u>\$20,038,077</u>

There was no significant construction in progress at June 30, 2001.

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Coverages provided by Nationwide Mutual Insurance Company are as follows:

Property Insurance (\$1,000 deductible)	replacement cost
Professional Liability	\$5,000,000 aggregate limit
Performance Bonds	\$20,000
Automobile Liability	\$2,000,000 combined single limit
Automobile Comprehensive and Collision (\$100 or \$500 deductible)	

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. RISK MANAGEMENT (Continued)

C. Employee Medical Benefits

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. This plan provides a medical/surgical plan with a \$100 single and \$200 family deductible and then twenty percent of the next \$2,500 is payable by the employee. A third party administrator, Coresource, located in Columbus, Ohio, reviews all claims which are then paid by the School District. The School District purchases stop-loss coverage of \$75,000 per individual. The School District pays into the insurance reserve internal service fund \$650.56 for family coverage or \$256.11 for individual coverage per month which represents the entire premium required for medical/surgical coverage. The premium for dental coverage is \$80.20 per month. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. The School District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

The claims liability of \$157,214 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1999	\$139,351	\$1,580,383	\$1,619,872	\$99,862
2000	99,862	1,656,083	1,624,932	131,013
2001	131,013	1,804,482	1,778,281	157,214

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Howland Local School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School's rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. DEFINED BENEFIT PENSION PLANS(Continued)

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$133,882, \$160,752, and \$240,708, respectively; 52.81 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$63,185 represents the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$1,062,143, \$645,492, and \$651,203, respectively; 88.60 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$121,088 representing the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, four Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made based on years of service, up to a maximum payment of forty days for certified employees and forty-five days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. OTHER EMPLOYEE BENEFITS (Continued)

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-six days, and those with twenty-six or more years can receive up to forty days. These employees will also receive ten percent of any remaining accrued sick leave days.

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.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$45,000 per employee. Life insurance coverage of \$10,000 per employee is provided through the Great American Reserve Insurance Company and coverage of \$35,000 per employee is provided through the Medical Life Insurance Company.

Prescription drug insurance is provided through the PCS Health Systems, Inc. Premiums for prescription drug insurance are \$150.65 monthly on a composite basis and the plan utilizes \$2 or \$5 per prescription deductibles.

Medical/surgical benefits are provided through Community Mutual Blue Cross/Blue Shield. The School District pays \$648.83 for family coverage and \$276.34 for individual coverage per month which represents the entire premium.

13. LONG-TERM OBLIGATIONS

The long-term obligations activity of the School District for the fiscal year ended June 30, 2001, was as follows:

	Principal Outstanding 6/30/00	Additions	Deduction s	Principal Outstanding 6/30/01
1997 \$883,997 Asbestos Removal Loan, 0%	\$110,930	\$0	\$33,457	\$77,473
1999 \$225,000 Classroom Facilities Acquisition Bond, 4%	150,000	0	75,000	75,000
Intergovernmental Payable	191,848	178,583	191,848	178,583
Compensated Absences	2,120,383	186,767	0	2,307,150
<i>Total General Long-Term Obligations</i>	<u>\$2,573,161</u>	<u>\$365,350</u>	<u>\$300,305</u>	<u>\$2,638,206</u>

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The interest-free asbestos loan and the Classroom Facilities Acquisition Bond will be paid from the debt service fund. The intergovernmental payable liability represents pension contributions paid outside the available period and will be paid from the fund from which the person is paid. Compensated absences will be paid from the fund from which the person is paid.

The School District's overall legal debt margin was \$52,700,693 with an unvoted debt margin of \$5,847,024 at June 30, 2001.

Principal and interest requirements to retire the asbestos loan and the general obligation bond outstanding at June 30, 2001 are as follows:

Fiscal Year Ending June 30,	Asbestos Removal	General Obligation Bonds	
	Principal	Principal	Interest
2002	\$33,458	\$75,000	\$3,150
2003	33,458	0	0
2004	10,557	0	0
<i>Total</i>	<u>\$77,473</u>	<u>\$75,000</u>	<u>\$3,150</u>

14. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 26, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001 asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. CONTINGENCIES

A. 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, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The Howland Local School District is a party to one legal proceeding. The School District's management is of the opinion that the ultimate disposition of this legal proceeding will not have a material effect, if any, on the financial condition of the School District.

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of the lunchroom and uniform school supply sales. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Howland Local School District as of and for the fiscal year ended June 30, 2001.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$574,396	\$22,162	\$596,558
Depreciation Expense	26,154	0	26,154
Operating Income (Loss)	(174,673)	906	(173,767)
Donated Commodities	28,552	0	28,552
Operating Grants	144,652	0	144,652
Net Income	4,635	906	5,541
Net Working Capital	95,930	987	96,917
Total Assets	445,707	987	446,694
Total Equity	311,601	(213)	311,388

17. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

17. POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent from fiscal year 2000. For the School District, this amount equaled \$1,062,143 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$133,882.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

18. JOINTLY GOVERNED ORGANIZATIONS

North East Ohio Management Information Network (NEOMIN) - NEOMIN is a jointly governed organization among thirty school districts 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 contributed \$50,025 to NEOMIN during fiscal year 2001.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Howland Local School District was represented on the Governing Board during fiscal year 2001. 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, 347 North Park Avenue, Warren, Ohio, 44481.

North-East Ohio Instructional Media Center (NEOIMC) - The North-East Ohio Instructional Media Center (NEOIMC) is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the member districts. Each member pays a monthly premium based on use of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2001, Howland Local School District contributed \$4,760. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

North East Ohio Special Education Regional Resource Center (NEO/SERRC) - NEO/SERRC is a special education regional 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.

NEO/SERRC is governed by a board of 39 members made up of representatives from 35 participating districts, one non-public school, and the 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. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105, Youngstown, Ohio, 44512-7019.

Region 12 Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana Counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Vocational Compact - The Vocational Compact is a jointly governed organization among the five school districts in Trumbull County to provide for the vocational and special education needs of the students. The students of each participating school district may attend classes offered at the vocational facility. The five member advisory board consists of the superintendent from each of the participating school districts. Each school district's control is limited to its representation on the advisory board. Lordstown Local School District serves as the fiscal agent for this agreement, collecting payments. All revenues are generated from charges for services. Howland Local School District paid \$365,783 to the Vocational Compact for services during fiscal year 2001. Financial information can be obtained by contacting the Treasurer at the Lordstown Local School District, 1824 Salt Springs Road SW, Warren, OH 44481.

19. INSURANCE PURCHASING POOL

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

20. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001, consist of the following interfund receivables and payables:

Fund	Receivable	Payable
General Fund	\$1,200	\$0
Uniform School Supplies Enterprise Fund	0	1,200
<i>Total All Funds</i>	\$1,200	\$1,200

21. DEBT

The School District issued a \$565,000 Energy Conservation Improvement Note at 4.00% on July 28, 1998. A payment of \$56,500 was made during the current fiscal year, leaving a year end liability of \$452,000. Principal and interest requirements to retire the note at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2002	\$56,500	\$21,176
2003	56,500	18,803
2004	56,500	16,362
2005	56,500	13,848
2006	56,500	11,249
2007-2009	169,500	17,305
<i>Total</i>	\$452,000	\$98,743

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

22. SET-ASIDE CALCULATION AND FUND RESERVES

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisitions and budget stabilization. Disclosure of this information is required by the State statute.

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2000	\$0	\$0	\$339,560
Current Year Set-Aside Requirement	522,179	522,179	0
Reduction Authorized by Legislative Revisions	0	0	(171,462)
Qualifying Disbursements	(529,451)	(623,458)	0
Totals	<u>(\$7,272)</u>	<u>(\$101,279)</u>	<u>\$168,098</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$7,272)</u>	<u>\$0</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$168,098</u>

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$339,560. The general fund balance includes \$171,462 that has been designated for the amount of set-asides in excess of requirements.

HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster						
Food Distribution Program	10.550	N/A		\$28,265		\$27,935
National School Lunch Program	10.555	N/A	135,120		135,120	
Special Milk Program	10.556	N/A	<u>2,995</u>		<u>2,995</u>	
Total Nutrition Cluster/Total Department of Agriculture			<u>138,115</u>	<u>28,265</u>	<u>138,115</u>	<u>27,935</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Title 1, Grants to Local Educational Agencies	84.010	C2-S1-00 C2-S1-01	<u>142,948</u>		44,109 <u>108,973</u>	
			142,948		153,082	
Special Education Cluster						
Special Education Grants to States	84.027	6B-SF-00P 6B-SF-01P	<u>215,774</u>		6,676 <u>187,331</u>	
			215,774		194,007	
Safe and Drug - Free Schools and Communities - State Grants						
	84.186	DR-S1-00 DR-S1-01	<u>14,662</u>		4,738 <u>11,515</u>	
			14,662		16,253	
Innovative Educational Program Strategies						
	84.298	C2-S1-00 C2-S1-01	<u>18,479</u>		6,127 <u>770</u>	
			18,479		6,897	
Virtual Middle School Grant						
	84.318	N/A	<u>4,658</u>		4,861 <u>4,861</u>	
			4,658		4,861	
Title VI - R						
	84.340	CR-S1-00 CR-S1-01	<u>47,766</u>		16,261 <u>47,766</u>	
			47,766		64,027	
Eisenhower						
	84.281	MS-S1-2001	<u>10,499</u>		10,499 <u>10,499</u>	
			10,499		10,499	
Total U.S. Department of Education			<u>454,786</u>		<u>449,626</u>	
Total Expenditures of Federal Awards			<u>\$592,901</u>	<u>\$28,265</u>	<u>\$587,741</u>	<u>\$27,935</u>

The notes to the Schedule of Federal Awards Expenditures are an integral part of this statement.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
FOR THE YEAR ENDED JUNE 30, 2001**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had food commodities valued at \$4,979 in inventory.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the School contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Howland Local School District
Trumbull County
8200 South Street S.E.
Warren, Ohio 44484

To the Board of Education:

We have audited the financial statements of Howland Local School District, Trumbull County, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 26, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Howland Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Howland Local School District in a separate letter dated November 26, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Howland Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Howland Local School District in a separate letter dated November 26, 2001.

Howland Local School District
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 26, 2001



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Howland Local School District
Trumbull County
8200 South Street S.E.
Warren, Ohio 44484

To the Board of Education:

Compliance

We have audited the compliance of Howland Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular a-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Howland Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Howland Local School District's management. Our responsibility is to express an opinion on Howland Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Howland Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Howland Local School District's compliance with those requirements.

In our opinion, Howland Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Howland Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Howland Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 26, 2001

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	10.550, 10.555, 10.556 Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	N/A - no findings
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Title of Finding

Finding Number	N/A - no findings
CFDA Title and Number	
Federal Award Number / Year	
Federal Agency	
Pass-Through Agency	



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HOWLAND LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2002**