



Mary Taylor, CPA  
Auditor of State



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Howland Local School District, Trumbull County, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Howland Local School District, Trumbull County, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund 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 April 30, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditures schedule is 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 basic financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 30, 2009

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

The management's discussion and analysis of the Howland Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets of governmental activities increased \$2,331,161 which represents a 56.10% increase from 2007.
- General revenues accounted for \$29,821,499 in revenue or 87.72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,174,768 or 12.28% of total revenues of \$33,996,267.
- The District had \$31,665,106 in expenses related to governmental activities; \$4,174,768 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$29,821,499 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$30,067,258 in revenues and \$29,573,710 in expenditures. During fiscal year 2008, the general fund's fund deficit balance decreased \$493,548 from \$2,392,949 to \$1,899,401.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

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

In the statement of net assets and statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental benefits self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-50 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2008 and June 30, 2007.

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2008</u>	<u>2007</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 28,659,880	\$ 27,898,618
Capital assets, net	<u>3,754,981</u>	<u>3,805,359</u>
Total assets	<u>32,414,861</u>	<u>31,703,977</u>
<b><u>Liabilities</u></b>		
Current liabilities	22,215,540	23,437,609
Long-term liabilities	<u>3,713,089</u>	<u>4,111,297</u>
Total liabilities	<u>25,928,629</u>	<u>27,548,906</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	3,698,481	3,692,359
Restricted	632,326	509,094
Unrestricted (deficit)	<u>2,155,425</u>	<u>(46,382)</u>
Total net assets	<u>\$ 6,486,232</u>	<u>\$ 4,155,071</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$6,486,232.

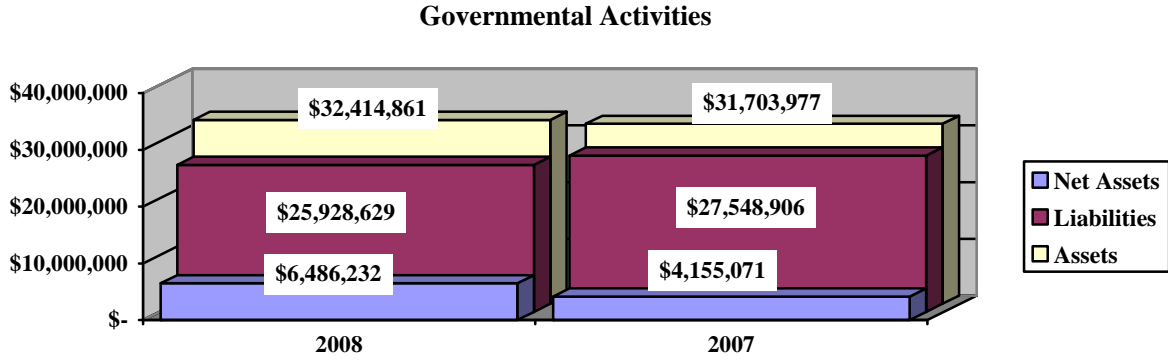
At year-end, capital assets represented 11.58% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$3,698,481. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$632,326, represents resources that are subject to external restriction on how they may be used.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below presents the District's governmental net assets at June 30, 2008 and June 30, 2007.



The table below shows the change in net assets for fiscal year 2008 and 2007.

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,046,328	\$ 1,957,954
Operating grants and contributions	2,111,502	2,135,238
Capital grants and contributions	16,938	30,494
General revenues:		
Property taxes	19,790,672	20,277,862
Grants and entitlements	9,559,232	8,170,267
Investment earnings	292,345	327,787
Other	<u>179,250</u>	<u>146,731</u>
Total revenues	<u>33,996,267</u>	<u>33,046,333</u>

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

	<b>Change in Net Assets</b>	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 12,840,009	\$ 13,405,551
Special	3,485,104	3,787,847
Vocational	638,174	714,954
Other	1,136,184	466,211
Support services:		
Pupil	1,677,817	1,582,579
Instructional staff	1,246,521	1,132,831
Board of education	327,013	306,795
Administration	2,407,224	2,231,313
Fiscal	671,656	701,121
Business	86,659	89,863
Operations and maintenance	3,648,264	3,204,757
Pupil transportation	1,724,859	1,819,539
Central	18,381	18,381
Operation of non-instructional services:		
Food service operations	881,997	908,085
Other non-instructional services	170,787	195,855
Extracurricular activities	686,603	646,524
Interest and fiscal charges	<u>17,854</u>	<u>31,809</u>
Total expenses	<u>31,665,106</u>	<u>31,244,015</u>
Change in net assets	2,331,161	1,802,318
Net assets at beginning of year	<u>4,155,071</u>	<u>2,352,753</u>
Net assets at end of year	<u>\$ 6,486,232</u>	<u>\$ 4,155,071</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$2,331,161. Total governmental expenses of \$31,665,106 were offset by program revenues of \$4,174,768 and general revenues of \$29,821,499. Program revenues supported 13.18% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 86.33% of total governmental revenue.

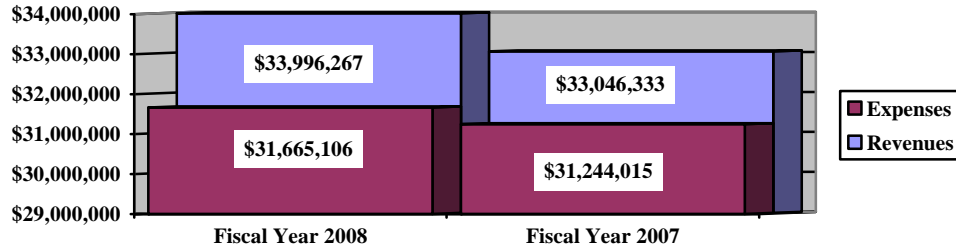
The largest expense of the District is for instructional programs. Instruction expenses totaled \$18,099,471 or 57.16% of total governmental expenses for fiscal year 2008.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Program expenses</b>				
Instruction:				
Regular	\$ 12,840,009	\$ 11,563,788	\$ 13,405,551	\$ 12,067,832
Special	3,485,104	2,505,574	3,787,847	2,939,178
Vocational	638,174	417,205	714,954	473,169
Other	1,136,184	1,136,184	466,211	466,211
Support services:				
Pupil	1,677,817	1,677,817	1,582,579	1,582,579
Instructional staff	1,246,521	812,918	1,132,831	752,221
Board of education	327,013	327,013	306,795	306,795
Administration	2,407,224	2,407,224	2,231,313	2,231,313
Fiscal	671,656	671,656	701,121	701,121
Business	86,659	86,659	89,863	89,863
Operations and maintenance	3,648,264	3,624,714	3,204,757	3,160,757
Pupil transportation	1,724,859	1,680,925	1,819,539	1,769,063
Central	18,381	18,381	18,381	18,381
Operation of non-instructional services:				
Food service operations	881,997	(3,378)	908,085	31,574
Other non-instructional services	170,787	8,740	195,855	(12,632)
Extracurricular activities	686,603	537,064	646,524	511,095
Interest and fiscal charges	17,854	17,854	31,809	31,809
<b>Total expenses</b>	<u>\$ 31,665,106</u>	<u>\$ 27,490,338</u>	<u>\$ 31,244,015</u>	<u>\$ 27,120,329</u>

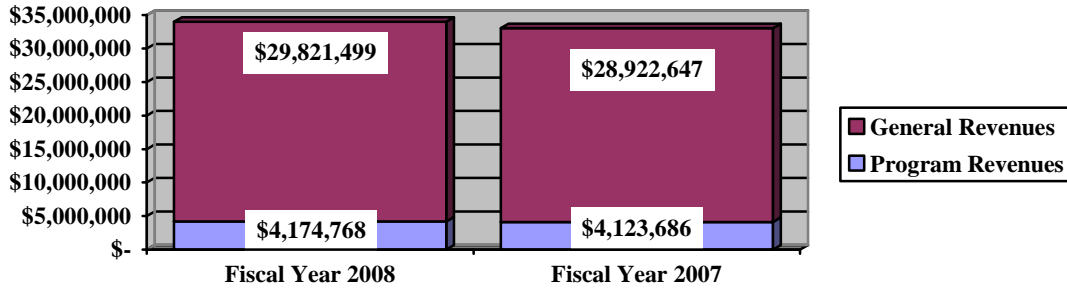
The dependence upon tax and other general revenues for governmental activities is apparent, 86.32% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.82%.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund deficit balance of \$1,118,386, which is lower than last year's deficit balance of \$1,779,144. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007. The fund balances have been restated as described in Note 3.B.

	Fund Balance (Deficit) <u>June 30, 2008</u>	Restated Fund Balance (Deficit) <u>June 30, 2007</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ (1,899,401)	\$ (2,392,949)	\$ 493,548	20.63 %
Other Governmental	<u>781,015</u>	<u>613,805</u>	<u>167,210</u>	27.24 %
Total	<u>\$ (1,118,386)</u>	<u>\$ (1,779,144)</u>	<u>\$ 660,758</u>	37.14 %

**General Fund**

The District's general fund deficit balance decreased \$493,548. The reduced deficit fund balance can be attributed to revenues exceeding expenditures during the fiscal year.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 18,468,514	\$ 18,939,865	\$ (471,351)	(2.49) %
Earnings on investments	289,867	331,069	(41,202)	(12.45) %
Tuition	1,101,571	984,826	116,745	11.85 %
Intergovernmental	9,935,762	8,669,397	1,266,365	14.61 %
Other revenues	<u>271,544</u>	<u>249,592</u>	<u>21,952</u>	8.80 %
<b>Total</b>	<b><u>\$ 30,067,258</u></b>	<b><u>\$ 29,174,749</u></b>	<b><u>\$ 892,509</u></b>	3.06 %
<b><u>Expenditures</u></b>				
Instruction	\$ 17,896,902	\$ 17,714,952	\$ 181,950	1.03 %
Support services	11,117,343	10,548,898	568,445	5.39 %
Non-instructional services	495	344	151	43.90 %
Extracurricular activities	543,142	496,029	47,113	9.50 %
Debt service	<u>15,828</u>	<u>-</u>	<u>15,828</u>	100.00 %
<b>Total</b>	<b><u>\$ 29,573,710</u></b>	<b><u>\$ 28,760,223</u></b>	<b><u>\$ 813,487</u></b>	2.83 %

The most significant changes in revenue occurred in earnings on investments, tuition and intergovernmental revenues. Earnings on investments decreased approximately 12.45% from 2007. The decrease can be attributed to decreased interest rates on the Districts investment accounts. Tuition increased approximately 11.85% from 2007. The increase is a result of a continued increase in open enrollment. The increase in intergovernmental revenue of 14.61% results from increased foundation revenues. All other revenues and expenses remain comparable to the prior year.

***General Fund Budgeting Highlights***

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

For fiscal year 2008, the general fund, original budgeted revenues were \$29,009,500. Final budgeted revenues were \$29,609,500. Actual revenues and other financing sources for fiscal year 2008 was \$30,120,837. This represents a \$511,337 increase from final budgeted revenues.

General fund original appropriations totaled \$30,068,273. Final appropriations totaled \$30,368,273. The actual budget basis expenditures for fiscal year 2008 totaled \$30,157,813, which was \$210,460 less than the final budget appropriations.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2008, the District had \$3,754,981 (net of accumulated depreciation) invested in land, buildings and improvements, furniture and equipment, vehicles and textbooks. This entire amount is reported in governmental activities. The following table shows June 30, 2008 balances compared to June 30, 2007:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 806,570	\$ 806,570
Building and improvements	2,235,400	2,401,108
Furniture and equipment	217,889	151,460
Vehicles	495,122	446,221
Textbooks	-	-
Total	\$ 3,754,981	\$ 3,805,359

The overall decrease in capital assets of \$50,378 is due to capital outlays of \$268,813 not exceeding depreciation expense of \$319,191 in the fiscal year.

See Note 7 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2008, the District had \$56,500 in energy conservation notes and \$480,000 in revenue anticipation notes outstanding. Of this total, \$536,500 is due within one year. The following table summarizes the notes outstanding.

**Outstanding Debt, at Year End**

	Governmental	Restated
	Activities	Governmental
	2008	2007
Energy conservation notes	\$ 56,500	\$ 113,000
Revenue anticipation notes	480,000	960,000
Total	\$ 536,500	\$ 1,073,000

At June 30, 2008, the District's overall legal debt margin was \$51,290,090, and an unvoted debt margin of \$569,890.

See Note 8 to the basic financial statements for additional information on the District's debt administration.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

**Current Financial Related Activities**

The District faces many challenges in the future. As the preceding information shows, the District was faced with a deficit at the end of fiscal year 2008. With great support from the community, a levy for \$3,050,000, placed on the May 6, 2003 ballot, passed. This was the first request for additional operating funds since 1992.

With the passage of the new levy and budget cuts, the Board's five-year forecast looked positive. In the fall of 2003, the District was made aware of major tax appeals on personal property and a bankruptcy of a major company in the District. Due to these factors the District lost approximately \$1.8 million from its budget. With the loss of this revenue, the Board decided to implement open enrollment since fiscal year 2005 to increase revenue. The Board continues to place cost reduction factors into the budget by reducing staff, changing to a PPO medical insurance plan, going to a three-tier drug card, which require employees to pay a share of the premium and holding back on capital equipment expenses to try to offset deficits in the future.

Due to unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Thomas Krispinsky, Treasurer, Howland Local School District, 8200 South Street SE, Warren, Ohio 44484-2447.



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,142,202
Receivables:	
Taxes . . . . .	22,063,267
Accounts . . . . .	22,617
Intergovernmental . . . . .	271,165
Prepayments . . . . .	45,491
Materials and supplies inventory . . . . .	86,673
Inventory held for resale . . . . .	28,465
Capital assets:	
Land . . . . .	806,570
Depreciable capital assets, net . . . . .	2,948,411
Total capital assets, net. . . . .	<u>3,754,981</u>
 Total assets. . . . .	 <u>32,414,861</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	175,209
Contracts payable . . . . .	13,090
Accrued wages and benefits . . . . .	2,353,748
Pension obligation payable. . . . .	671,209
Intergovernmental payable . . . . .	49,007
Accrued interest payable . . . . .	2,454
Claims payable. . . . .	194,622
Unearned revenue . . . . .	18,756,201
Revenue anticipation notes payable . . . . .	480,000
Long-term liabilities:	
Due within one year. . . . .	305,137
Due within more than one year . . . . .	2,927,952
 Total liabilities . . . . .	 <u>25,928,629</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	3,698,481
Restricted for:	
Capital projects . . . . .	376,714
State funded programs . . . . .	54,756
Federally funded programs . . . . .	197,977
Student activities . . . . .	2,879
Unrestricted . . . . .	<u>2,155,425</u>
 Total net assets . . . . .	 <u><u>\$ 6,486,232</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 12,840,009	\$ 1,131,354	\$ 144,867	\$ -	\$ (11,563,788)
Special . . . . .	3,485,104	185,498	794,032	-	(2,505,574)
Vocational . . . . .	638,174	-	220,969	-	(417,205)
Other . . . . .	1,136,184	-	-	-	(1,136,184)
Support services:					
Pupil. . . . .	1,677,817	-	-	-	(1,677,817)
Instructional staff. . . . .	1,246,521	6,397	427,206	-	(812,918)
Board of education . . . . .	327,013	-	-	-	(327,013)
Administration. . . . .	2,407,224	-	-	-	(2,407,224)
Fiscal. . . . .	671,656	-	-	-	(671,656)
Business. . . . .	86,659	-	-	-	(86,659)
Operations and maintenance . . . . .	3,648,264	5,550	18,000	-	(3,624,714)
Pupil transportation. . . . .	1,724,859	16,808	10,188	16,938	(1,680,925)
Central . . . . .	18,381	-	-	-	(18,381)
Operation of non-instructional services:					
Food service operations . . . . .	881,997	578,782	306,593	-	3,378
Other non-instructional services . . . . .	170,787	671	161,376	-	(8,740)
Extracurricular activities. . . . .	686,603	121,268	28,271	-	(537,064)
Interest and fiscal charges . . . . .	17,854	-	-	-	(17,854)
<b>Total governmental activities . . . . .</b>	<b>\$ 31,665,106</b>	<b>\$ 2,046,328</b>	<b>\$ 2,111,502</b>	<b>\$ 16,938</b>	<b>(27,490,338)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					19,209,845
Debt service. . . . .					59,788
Capital projects . . . . .					521,039
Grants and entitlements not restricted					
to specific programs. . . . .					9,559,232
Investment earnings . . . . .					292,345
Payment in lieu of taxes . . . . .					84,981
Miscellaneous . . . . .					94,269
<b>Total general revenues. . . . .</b>					<b>29,821,499</b>
Change in net assets . . . . .					2,331,161
<b>Net assets at beginning of year. . . . .</b>					<b>4,155,071</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 6,486,232</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,497,565	\$ 683,769	\$ 2,181,334
Receivables:			
Taxes . . . . .	21,498,490	564,777	22,063,267
Accounts . . . . .	22,176	441	22,617
Intergovernmental . . . . .	7,265	263,900	271,165
Prepayments . . . . .	45,491	-	45,491
Materials and supplies inventory . . . . .	82,182	4,491	86,673
Inventory held for resale. . . . .	-	28,465	28,465
	<u>\$ 23,153,169</u>	<u>\$ 1,545,843</u>	<u>\$ 24,699,012</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 149,080	\$ 26,129	\$ 175,209
Contracts payable . . . . .	-	13,090	13,090
Accrued interest payable . . . . .	947	-	947
Revenue anticipation note payable . . . . .	480,000	-	480,000
Accrued wages and benefits . . . . .	2,229,367	124,381	2,353,748
Compensated absences payable . . . . .	85,661	-	85,661
Pension obligation payable. . . . .	635,007	36,202	671,209
Intergovernmental payable. . . . .	46,845	2,162	49,007
Deferred revenue. . . . .	3,149,585	82,741	3,232,326
Unearned revenue . . . . .	18,276,078	480,123	18,756,201
Total liabilities . . . . .	<u>25,052,570</u>	<u>764,828</u>	<u>25,817,398</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	37,192	33,415	70,607
Reserved for inventories . . . . .	82,182	32,956	115,138
Reserved for prepayments . . . . .	45,491	-	45,491
Reserved for property tax unavailable for appropriation . . . . .	72,827	1,913	74,740
Reserved for debt service. . . . .	-	31	31
Unreserved, undesignated (deficit), reported in:			
General fund . . . . .	(2,137,093)	-	(2,137,093)
Special revenue funds. . . . .	-	425,187	425,187
Capital projects funds. . . . .	-	287,513	287,513
Total fund balances (deficit) . . . . .	<u>(1,899,401)</u>	<u>781,015</u>	<u>(1,118,386)</u>
Total liabilities and fund balances . . . . .	<u>\$ 23,153,169</u>	<u>\$ 1,545,843</u>	<u>\$ 24,699,012</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances (deficit)</b>	\$	(1,118,386)
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,754,981
Other long-term assets, such as taxes receivable, are not available to pay for current period expenditures and therefore are deferred in the funds.		3,232,326
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets		3,766,246
Accrued interest payable is not due and payable in the current period and is therefore not reported in the funds.		(1,507)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	\$ (3,090,928)	
Energy conservation notes	<u>(56,500)</u>	
Total		<u>(3,147,428)</u>
<b>Net assets of governmental activities</b>	\$	<u><u>6,486,232</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 18,468,514	\$ 560,841	\$ 19,029,355
Tuition. . . . .	1,101,571	-	1,101,571
Transportation fees. . . . .	16,808	-	16,808
Charges for services. . . . .	-	581,918	581,918
Earnings on investments. . . . .	289,867	2,478	292,345
Extracurricular. . . . .	10,743	221,258	232,001
Classroom materials and fees . . . . .	58,923	28,278	87,201
Other local revenues. . . . .	185,070	63,050	248,120
Intergovernmental - state. . . . .	9,935,762	368,184	10,303,946
Intergovernmental - federal . . . . .	-	1,341,685	1,341,685
Total revenues. . . . .	<u>30,067,258</u>	<u>3,167,692</u>	<u>33,234,950</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	12,981,373	296,240	13,277,613
Special. . . . .	3,124,675	429,505	3,554,180
Vocational. . . . .	654,670	-	654,670
Other. . . . .	1,136,184	-	1,136,184
Support services:			
Pupil. . . . .	1,728,716	-	1,728,716
Instructional staff . . . . .	915,942	373,942	1,289,884
Board of education . . . . .	327,013	-	327,013
Administration. . . . .	2,475,345	-	2,475,345
Fiscal . . . . .	669,752	9,094	678,846
Business . . . . .	85,870	-	85,870
Operations and maintenance. . . . .	2,981,125	24,073	3,005,198
Pupil transportation . . . . .	1,915,199	-	1,915,199
Central. . . . .	18,381	-	18,381
Operation of non-instructional services:			
Food service operations . . . . .	-	889,647	889,647
Other non-instructional services. . . . .	495	169,472	169,967
Extracurricular activities. . . . .	543,142	139,461	682,603
Facilities acquisition and construction . . . . .	-	609,016	609,016
Debt service:			
Principal retirement . . . . .	-	56,500	56,500
Interest and fiscal charges . . . . .	15,828	3,532	19,360
Total expenditures . . . . .	<u>29,573,710</u>	<u>3,000,482</u>	<u>32,574,192</u>
Net change in fund balances . . . . .	493,548	167,210	660,758
<b>Fund balances (deficit) at beginning of year (restated).</b>	<u>(2,392,949)</u>	<u>613,805</u>	<u>(1,779,144)</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u><u>\$ (1,899,401)</u></u>	<u><u>\$ 781,015</u></u>	<u><u>\$ (1,118,386)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<b>Net change in fund balances - total governmental funds</b>	\$	660,758
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 268,813	
Depreciation expense	<u>(319,191)</u>	
Total		(50,378)
 Principal payments on notes are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		56,500
 Revenues in the statement of activities, such as taxes, that do not provide current financial resources are not reported as revenues in the funds.		
		761,317
 Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		1,506
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(76,578)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>978,036</u>
<b>Change in net assets of governmental activities</b>	\$	<u><u>2,331,161</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 17,478,495	\$ 17,840,000	\$ 18,436,257	\$ 596,257
Tuition . . . . .	1,077,710	1,100,000	1,206,677	106,677
Transportation fees . . . . .	14,696	15,000	11,826	(3,174)
Earnings on investments . . . . .	293,921	300,000	293,513	(6,487)
Extracurricular . . . . .	9,307	9,500	10,743	1,243
Classroom materials and fees . . . . .	63,683	65,000	58,280	(6,720)
Other local revenues . . . . .	-	-	172,601	172,601
Intergovernmental - state . . . . .	10,071,688	10,280,000	9,928,497	(351,503)
<b>Total revenues . . . . .</b>	<u>29,009,500</u>	<u>29,609,500</u>	<u>30,118,394</u>	<u>508,894</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	13,110,149	13,243,150	13,039,344	203,806
Special . . . . .	3,123,066	3,154,749	3,155,502	(753)
Vocational . . . . .	651,288	657,895	658,260	(365)
Other . . . . .	1,117,824	1,129,164	1,145,058	(15,894)
Support services:				
Pupil . . . . .	1,740,902	1,758,563	1,732,841	25,722
Instructional staff . . . . .	925,608	934,998	935,863	(865)
Board of education . . . . .	330,106	333,455	334,126	(671)
Administration . . . . .	2,344,118	2,367,899	2,363,121	4,778
Fiscal . . . . .	674,243	681,083	682,373	(1,290)
Business . . . . .	84,936	85,798	85,944	(146)
Operations and maintenance . . . . .	2,953,513	2,983,476	2,983,705	(229)
Pupil transportation . . . . .	1,958,118	1,977,983	1,980,483	(2,500)
Central . . . . .	18,196	18,381	18,418	(37)
Other non-instructional services . . . . .	490	495	496	(1)
Extracurricular activities . . . . .	538,971	544,439	545,534	(1,095)
Principal retirement . . . . .	480,000	480,000	480,000	-
Interest and fiscal charges . . . . .	16,745	16,745	16,745	-
<b>Total expenditures . . . . .</b>	<u>30,068,273</u>	<u>30,368,273</u>	<u>30,157,813</u>	<u>210,460</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,058,773)</u>	<u>(758,773)</u>	<u>(39,419)</u>	<u>719,354</u>
<b>Other financing sources:</b>				
Refund of prior year expenditure . . . . .	-	-	872	872
Sale of assets . . . . .	-	-	1,571	1,571
<b>Total other financing sources . . . . .</b>	<u>-</u>	<u>-</u>	<u>2,443</u>	<u>2,443</u>
Net change in fund balance . . . . .	(1,058,773)	(758,773)	(36,976)	721,797
<b>Fund balance at beginning of year . . . . .</b>	1,408,088	1,408,088	1,408,088	-
<b>Prior year encumbrances appropriated . . . . .</b>	61,528	61,528	61,528	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 410,843</u>	<u>\$ 710,843</u>	<u>\$ 1,432,640</u>	<u>\$ 721,797</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	<u>\$ 3,960,868</u>
Total assets . . . . .	<u>3,960,868</u>
<b>Liabilities:</b>	
Current liabilities:	
Claims payable. . . . .	<u>194,622</u>
Total liabilities . . . . .	<u>194,622</u>
<b>Net Assets:</b>	
Unrestricted. . . . .	<u>3,766,246</u>
Total net assets . . . . .	<u><u>\$ 3,766,246</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 4,408,893
Total operating revenues . . . . .	<u>4,408,893</u>
<b>Operating expenses:</b>	
Claims . . . . .	<u>3,430,857</u>
Total operating expenses. . . . .	<u>3,430,857</u>
Operating income/change in net assets . . . .	978,036
<b>Net assets at beginning of year. . . . .</b>	<u>2,788,210</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 3,766,246</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services. . . . .	\$ 4,408,893
Cash payments for claims . . . . .	<u>(3,505,328)</u>
Net cash provided by operating activities . . . . .	903,565
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>3,057,303</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u><u>\$ 3,960,868</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 978,036
Changes in assets and liabilities:	
Decrease in claims payable. . . . .	<u>(74,471)</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 903,565</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OH**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	<u>\$ 77,598</u>
Total assets. . . . .	<u><u>\$ 77,598</u></u>
<b>Liabilities:</b>	
Due to students . . . . .	<u>77,598</u>
Total liabilities . . . . .	<u><u>\$ 77,598</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Howland Local School District (the "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 District provides educational services as authorized by State and Federal agencies. The Board of Education controls the District's six instructional/support facilities staffed by 174 non-certified and 218 full-time teaching personnel and administrative employees who provide services to 2,964 students and other community members.

The 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 District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The 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 District is the 155<sup>th</sup> largest in the State of Ohio, among 896 school districts and community schools, in terms of enrollment. The District operates two elementary schools (K-2), two intermediate schools (3-5), one middle school (6-8) and one high school (9-12).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

*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.

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 district, the fiscal agent or NEOMIN). The Howland Local School District was represented on the Governing Board during fiscal year 2008. 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, 6600 Youngstown-Warren Road, Niles, Ohio, 44446.

North East Ohio Instructional Media Center (NEOIMC) - 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 the 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. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 6600 Youngstown-Warren Road, Niles, Ohio, 44446.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Region12 Professional Development Center (the "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 improvements 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 the Youngstown State University whose terms rotate 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, 6600 Youngstown-Warren Road, Niles, Ohio, 44446.

Ashtabula County Joint Vocational School - The Ashtabula County Joint Vocational School is a fiscally independent political subdivision of the State of Ohio. The District is governed by a seven member Board of Education 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. Each school district's control is limited to its representation on the advisory board. All revenues are generated from charges for services. Financial information can be obtained by contacting the Treasurer, Mary Ann Wayman, at 1565 State Rt. 167, Jefferson, OH, 44047.

*INSURANCE PURCHASING POOL*

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) food service operations.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal service fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The internal service fund accounts for medical, prescription, dental and life insurance benefits of the District's employees.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.



**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for sales and services for insurance premiums. Operating expenses for internal service fund includes the claims payments and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Nonexchange transactions, in which the 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 5).

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

*Unearned Revenue and Deferred Revenue* - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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

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

**E. Budgets**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

**F. Cash and Investments**

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

During fiscal year 2008, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) 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 District has invested funds in STAR Ohio during fiscal year 2008. 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 shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$289,867, which includes \$212,867 assigned from other funds.

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

An analysis of the District's investment accounts at year-end is provided in Note 4.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, 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.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Buildings and improvements	50 years
Furniture and equipment	20 years
Vehicles	8 years
Textbooks	6 years

**I. Compensated Absences**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**J. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**K. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories, prepayments, debt service and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Operating Revenues and Expenses**

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which the services are consumed.

**O. Non-Public Schools**

Within the District boundaries, there are various non-public schools. 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 District, as directed by the non-public schools. These transactions are reported as a governmental activity of the District.

**P. Estimates**

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

**Q. Interfund Activity**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues” and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 12) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**B. Restatement of Fund Balance and Net Assets**

A fund restatement is required to properly record the tax anticipation note and accrued interest payable associated with the note as fund liabilities.

This fund restatement had the following effect on the District’s governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ (1,431,085)	\$ 613,805	\$ (817,280)
Revenue anticipation note	(960,000)	-	(960,000)
Accrued interest payable	<u>(1,864)</u>	<u>-</u>	<u>(1,864)</u>
Restated fund balance at June 30, 2007	<u>\$ (2,392,949)</u>	<u>\$ 613,805</u>	<u>\$ (1,779,144)</u>

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

See Note 8 for the effect of the change on long-term liability balances as previously reported by the District at June 30, 2007.

**C. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 1,418,454
<u>Nonmajor fund</u>	
Poverty aid	62

The general fund is liable for any deficits in the nonmajor funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are the result of adjustments for accrued liabilities.

The deficit balance in the general fund will be eliminated by resources not recorded or recognized at fiscal-year end.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies 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;



**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 items (1) and (2) above 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);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

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

**B. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$(77,198), exclusive of the \$271,694 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the "zero-balance" nature of the District's bank accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, all of the District's bank balance of \$73,186 was covered by the Federal Deposit Insurance Corporation (FDIC).

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment Maturities 6 months or <u>less</u>
Repurchase agreement	\$ 271,694	\$ 271,694
STAR Ohio	<u>6,020,954</u>	<u>6,020,954</u>
Total	<u>\$ 6,292,648</u>	<u>\$ 6,292,648</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$271,694 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Credit Risk:* The federal agency securities that underlie the District's repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of total</u>
Repurchase agreement	\$ 271,694	4.32%
STAR Ohio	<u>6,020,954</u>	<u>95.68%</u>
Total	<u>\$ 6,292,648</u>	<u>100.00</u>

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (77,198)
Investments	6,292,648
Cash on hand	<u>4,350</u>
Total	<u>\$ 6,219,800</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,142,202
Agency funds	<u>77,598</u>
Total	<u>\$ 6,219,800</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 5 - PROPERTY TAXES - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$72,827 in the general fund and \$1,913 in the permanent improvement fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$40,570 in the general fund and \$1,057 in the permanent improvement fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 557,263,850	87.02	\$ 563,585,010	94.97
Public utility personal	9,384,310	1.47	6,527,630	1.10
Tangible personal property	<u>73,720,207</u>	<u>11.51</u>	<u>23,336,640</u>	<u>3.93</u>
Total	<u>\$ 640,368,367</u>	<u>100.00</u>	<u>\$ 593,449,280</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$42.95		\$42.75	

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 22,063,267
Accounts	22,617
Intergovernmental	<u>271,165</u>
Total	<u>\$ 22,357,049</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 806,570	\$ -	\$ -	\$ 806,570
Total capital assets, not being depreciated	<u>806,570</u>	<u>-</u>	<u>-</u>	<u>806,570</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	12,019,987	5,519	-	12,025,506
Furniture and equipment	1,251,494	108,854	-	1,360,348
Vehicles	2,078,483	154,440	-	2,232,923
Textbooks	<u>753,676</u>	<u>-</u>	<u>-</u>	<u>753,676</u>
Total capital assets, being depreciated	<u>16,103,640</u>	<u>268,813</u>	<u>-</u>	<u>16,372,453</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(9,618,879)	(171,227)	-	(9,790,106)
Furniture and equipment	(1,100,034)	(42,425)	-	(1,142,459)
Vehicles	(1,632,262)	(105,539)	-	(1,737,801)
Textbooks	<u>(753,676)</u>	<u>-</u>	<u>-</u>	<u>(753,676)</u>
Total accumulated depreciation	<u>(13,104,851)</u>	<u>(319,191)</u>	<u>-</u>	<u>(13,424,042)</u>
Governmental activities capital assets, net	<u>\$ 3,805,359</u>	<u>\$ (50,378)</u>	<u>\$ -</u>	<u>\$ 3,754,981</u>

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>		
Regular	\$ 169,945	
Special	199	
<u>Support services:</u>		
Instructional staff	790	
Administration	220	
Fiscal	4,167	
Operations and maintenance	67,793	
Pupil transportation	46,700	
Extracurricular activities	20,565	
Food service operations	<u>8,812</u>	
Total depreciation expense	<u>\$ 319,191</u>	

**NOTE 8 - LONG-TERM OBLIGATIONS**

- A. Long-term obligations of the governmental activities have been restated to reclassify the revenue anticipation notes as a fund liability. During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Interest	Restated	Additions	Reductions	Balance	Amounts
<u>Rate</u>	<u>Outstanding</u>	<u>Balance</u>			<u>Outstanding</u>	<u>Due in</u>
	<u>06/30/07</u>	<u>06/30/07</u>	<u>06/30/07</u>	<u>06/30/07</u>	<u>06/30/08</u>	<u>One Year</u>
<b>Governmental activities:</b>						
Energy conservation note	3.50%	\$ 113,000	\$ -	\$ (56,500)	\$ 56,500	\$ 56,500
Compensated absences		<u>3,038,297</u>	<u>497,718</u>	<u>(359,426)</u>	<u>3,176,589</u>	<u>248,637</u>
Total long-term obligations, governmental activities		<u>\$3,151,297</u>	<u>\$ 497,718</u>	<u>\$ (415,926)</u>	<u>\$3,233,089</u>	<u>\$ 305,137</u>

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid, which consist of the general fund and the following nonmajor governmental funds: food service, auxiliary services, Title VI-B, Title I and Title II-A.

Energy Conservation Notes - On August 6, 1998, the District issued energy conservation bonds to provide for energy improvements to various District buildings. The primary source of repayment of these bonds is through energy savings as a result of the improvements. The notes mature on November 1, 2008, and bear an annual interest rate of 3.50%. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year-end is accounted for on the statement of net assets.

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

<u>Fiscal Year Ending June 30,</u>	<u>Principal on notes</u>	<u>Interest on notes</u>	<u>Total</u>
2009	\$ 56,500	\$ 1,774	\$ 58,274
Total	<u>\$ 56,500</u>	<u>\$ 1,774</u>	<u>\$ 58,274</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$51,290,090, (including available funds of \$31) and an unvoted debt margin of \$569,890.

**NOTE 9 - NOTES PAYABLE**

On July 15, 2003, the District authorized the issuance of a \$2,400,000 revenue anticipation note, in accordance with the provisions of the Ohio School Districts Cash Flow Borrowing Program. The note matures on December 1, 2008 and bears an annual interest rate of 2.33%. Payments of principal and interest relating to this liability are recorded as expenditures in the general fund. The unmaturing obligation at year-end is accounted for on the statement of net assets.

Activity during the fiscal year was as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Due Within One Year</u>
Revenue anticipation notes	\$ 960,000	\$ -	\$ (480,000)	\$ 480,000	\$ 480,000

Principal and interest requirements to amortize the revenue anticipation notes outstanding at June 30, 2008 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 480,000	\$ 5,250	\$ 485,250
Total	<u>\$ 480,000</u>	<u>\$ 5,250</u>	<u>\$ 485,250</u>

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 10 - 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 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 Ohio or SERS.

Upon retirement, certified employees with ten to fifteen years of service can receive payment for up to thirty days, those with sixteen to twenty years can receive up to thirty-three days, those with twenty-one to twenty-five years can receive up to thirty-eight days and those with twenty-six or more years can receive up to forty-two days. These employees will also receive ten percent of any remaining accrued sick leave days.

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 District for reasons other than retirement.

**B. Insurance**

The District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$45,000 per employee. Life insurance coverage is provided through the Canada Life Insurance Company.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Coverage is provided by Ohio Schools Insurance Program and the Indiana Insurance Company as follows:

<u>Description</u>	<u>Amount</u>
Property Insurance (\$1,000 deductible)	replacement cost
Professional Liability	\$3,000,000
Performance Bonds	20,000
Automotive Liability	1,000,000
Automobile Comprehensive and Collision (\$250 or \$500 deductible)	



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year. All employees of the District are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

**B. Self Insurance**

Medical, prescription, dental and life insurance is offered to employees through a self-insurance internal service fund. This plan provides a medical/surgical/dental 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, Anthem, located in Youngstown, Ohio, reviews all claims which are then paid by the District. The District purchases stop-loss coverage of \$75,000 per individual. The District pays into the insurance reserve internal service fund \$1,333 for family coverage or \$573 for individual coverage per month which represents the entire premium required for medical/surgical/drug coverage. The premium for dental coverage is \$115 per month. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. The District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

The claims liability is \$194,622 reported in the internal service fund at June 30, 2008, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 269,093	\$ 3,430,857	\$ (3,505,328)	\$ 194,622
2007	446,670	3,174,900	(3,352,477)	269,093

**C. Workers' Compensation**

For fiscal year 2008, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. Participation in the Plan is limited to districts that can meet the Plan's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the Plan.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$338,930, \$362,337 and \$354,098, respectively; 43.54 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,743,149, \$1,792,174 and \$1,757,121, respectively; 82.88 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,645 made by the District and \$10,833 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$229,207, \$175,940 and \$178,722, respectively; 43.54 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$24,421, \$24,639 and \$28,183, respectively; 43.54 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$134,088, \$137,860 and \$135,163, respectively; 82.88 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (c) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (36,976)
Net adjustment for revenue accruals	(51,136)
Net adjustment for expenditure accruals	519,178
Net adjustment for other financing sources/uses	(2,443)
Adjustment for encumbrances	64,925
GAAP basis	\$ 493,548

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 16 - STATUTORY RESERVES**

The 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 16 - STATUTORY RESERVES - (Continued)**

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

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2007	\$ (419,113)	\$ -
Current year set-aside requirement	494,657	494,657
Current year offsets	-	(500,197)
Qualifying disbursements	<u>(459,849)</u>	<u>(166,130)</u>
 Total	 <u>\$ (384,305)</u>	 <u>\$ (171,670)</u>
 Balance carried forward to FY 2009	 <u>\$ (384,305)</u>	 <u>\$ -</u>

The District has qualifying disbursements and offsets during the fiscal year that reduced the textbooks/instructional materials and the capital improvements set-aside amounts below zero. The negative set-aside balance for the textbooks/instructional materials may be used to reduce the set-aside requirement of future years. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Year</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	10.550	2008		\$69,177		\$69,177
<i>Nutrition Cluster:</i>						
National School Lunch Program	10.555	2008	\$260,881		\$260,881	
Special Milk Program for Children	10.556	2008	1,000		1,000	
<i>Subtotal - Nutrition Cluster</i>			<u>261,881</u>		<u>261,881</u>	
Total U.S. Department of Agriculture			261,881	69,177	261,881	69,177
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	84.010	2007 2008	13,672 <u>177,345</u>		12,382 <u>167,611</u>	
Subtotal - CFDA 84.010			191,017		179,993	
<i>Special Education Cluster:</i>						
Special Education Grants to States (IDEA Part B)	84.027	2007 2008	45,976 <u>498,688</u>		147,825 <u>476,121</u>	
<i>Subtotal - Special Education Cluster</i>			544,664		623,946	
Drug-Free Schools Grant	84.186	2008	8,940		8,940	
Innovative Educational Program	84.298	2007 2008	324 <u>3,716</u>		324 <u>3,372</u>	
Subtotal - CFDA 84.298			4,040		3,696	
Title II-D, Technology	84.318	2008	2,246		2,153	
Title II-A, Improving Student Quality	84.367	2007 2008	87,675 <u>87,675</u>		10,000 <u>80,651</u>	
Subtotal - CFDA 84.367			<u>87,675</u>		<u>90,651</u>	
Total U.S. Department of Education			<u>838,582</u>		<u>909,379</u>	
<b>Totals</b>			<b><u>\$1,100,463</u></b>	<b><u>\$69,177</u></b>	<b><u>\$1,171,260</u></b>	<b><u>\$69,177</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.





# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Howland Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 30, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We intend this report solely for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 30, 2009



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Howland Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Howland Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 30, 2009

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States – IDEA Part 1, CFDA # 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





Mary Taylor, CPA  
Auditor of State

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  
JUNE 4, 2009