



Dave Yost • Auditor of State

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howland Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Howland Local School District, Trumbull County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Award Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities decreased \$735,570 which represents a 32.52% decrease from 2012.
- General revenues accounted for \$25,946,005 in revenue or 84.89% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,618,815 or 15.11% of total revenues of \$30,564,820.
- The District had \$31,300,390 in expenses related to governmental activities; \$4,618,815 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 \$25,946,005 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$27,294,623 in revenues and \$27,337,007 in expenditures. During fiscal year 2013, the general fund's fund deficit balance increased \$42,384 from \$2,155,735 to \$2,198,119.

Using the 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 position 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 Position 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 2013" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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, 2013
(UNAUDITED)

These two statements report the District's net position and changes in that position. This change in net position 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 position 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 position and statement of activities can be found on pages 15-16 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 11. 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 position 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 17-21 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 22-24 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 assets and liabilities on page 25. 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, 2013
(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 24-52 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012. Prior year amounts have been adjusted to conform to current year reporting requirements due to the implementation of new GASB Statements.

	Net Position	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current and other assets	\$ 22,369,309	\$ 22,988,391
Capital assets, net	<u>3,580,476</u>	<u>3,692,281</u>
Total assets	<u>25,949,785</u>	<u>26,680,672</u>
<u>Liabilities</u>		
Current liabilities	3,866,013	3,901,538
Long-term liabilities	<u>4,043,738</u>	<u>4,336,752</u>
Total liabilities	<u>7,909,751</u>	<u>8,238,290</u>
Deferred inflows	<u>16,513,890</u>	<u>16,180,668</u>
Total liabilities and deferred inflows	<u>24,423,641</u>	<u>24,418,958</u>
<u>Net Position</u>		
Net investment in capital assets	3,580,476	3,692,281
Restricted	667,466	630,241
Unrestricted (deficit)	<u>(2,721,798)</u>	<u>(2,060,808)</u>
Total net position	<u>\$ 1,526,144</u>	<u>\$ 2,261,714</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities and deferred inflows by \$1,526,144.

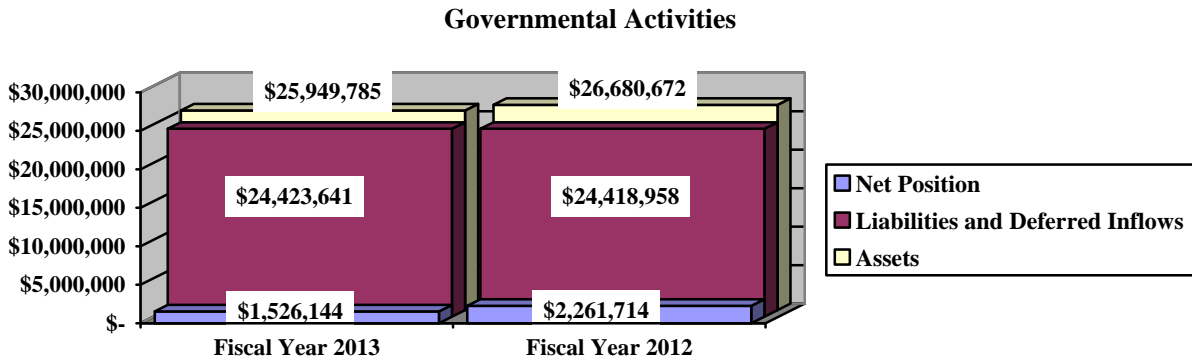
At year end, capital assets represented 13.80% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and textbooks. Net investment in capital assets at June 30, 2013, was \$3,580,476. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$667,466, 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, 2013
(UNAUDITED)

The graph below presents the District's governmental net position at June 30, 2013 and June 30, 2012. Prior year amounts have been adjusted to conform to current year reporting requirements due to the implementation of new GASB Statements.



The table below shows the change in net position for fiscal year 2013 and 2012.

	Change in Net Position	
	Governmental Activities 2013	Governmental Activities 2012
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,252,194	\$ 2,127,967
Operating grants and contributions	2,366,621	2,340,770
General revenues:		
Property taxes	16,056,432	15,430,317
Grants and entitlements	9,675,348	10,227,681
Investment earnings	27,009	21,742
Other	187,216	282,317
Total revenues	<u>30,564,820</u>	<u>30,430,794</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Change in Net Position	
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 15,151,045	\$ 15,412,121
Special	3,119,038	3,237,919
Vocational	443,305	377,775
Other	9,751	-
Support services:		
Pupil	1,625,681	1,613,576
Instructional staff	962,258	844,651
Board of education	349,618	322,900
Administration	2,318,226	2,453,799
Fiscal	664,796	706,274
Business	100,510	103,999
Operations and maintenance	3,215,304	3,476,353
Pupil transportation	1,610,451	1,770,085
Central	4,491	4,147
Operation of non-instructional services:		
Food service operations	694,267	877,713
Other non-instructional services	300,154	285,154
Extracurricular activities	670,144	715,419
Interest and fiscal charges	<u>61,351</u>	<u>66,397</u>
Total expenses	<u>31,300,390</u>	<u>32,268,282</u>
Change in net assets	(735,570)	(1,837,488)
Net position at beginning of year	<u>2,261,714</u>	<u>4,099,202</u>
Net position at end of year	<u>\$ 1,526,144</u>	<u>\$ 2,261,714</u>

Governmental Activities

Net position of the District's governmental activities decreased \$735,570. Total governmental expenses of \$31,300,390 were partially offset by program revenues of \$4,618,815 and general revenues of \$25,946,005. Program revenues supported 14.76% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 84.19% of total governmental revenue.

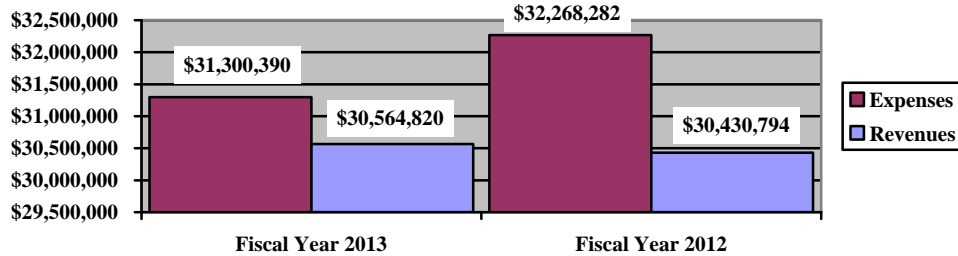
The largest expense of the District is for instructional programs. Instruction expenses totaled \$18,723,139 or 59.78% of total governmental expenses for fiscal year 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012.

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.

Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program expenses				
Instruction:				
Regular	\$ 15,151,045	\$ 13,725,240	\$ 15,412,121	\$ 13,914,316
Special	3,119,038	1,834,451	3,237,919	2,050,402
Vocational	443,305	376,998	377,775	311,468
Other	9,751	9,751	-	-
Support services:				
Pupil	1,625,681	1,625,681	1,613,576	1,613,576
Instructional staff	962,258	534,073	844,651	513,215
Board of education	349,618	349,618	322,900	322,900
Administration	2,318,226	2,318,226	2,453,799	2,453,799
Fiscal	664,796	664,796	706,274	706,274
Business	100,510	100,510	103,999	103,999
Operations and maintenance	3,215,304	3,112,705	3,476,353	3,444,345
Pupil transportation	1,610,451	1,587,359	1,770,085	1,751,614
Central	4,491	4,491	4,147	4,147
Operation of non-instructional services:				
Food service operations	694,267	16,373	877,713	32,139
Other non-instructional services	300,154	4,627	285,154	41,325
Extracurricular activities	670,144	355,325	715,419	469,629
Interest and fiscal charges	61,351	61,351	66,397	66,397
Total expenses	\$ 31,300,390	\$ 26,681,575	\$ 32,268,282	\$ 27,799,545

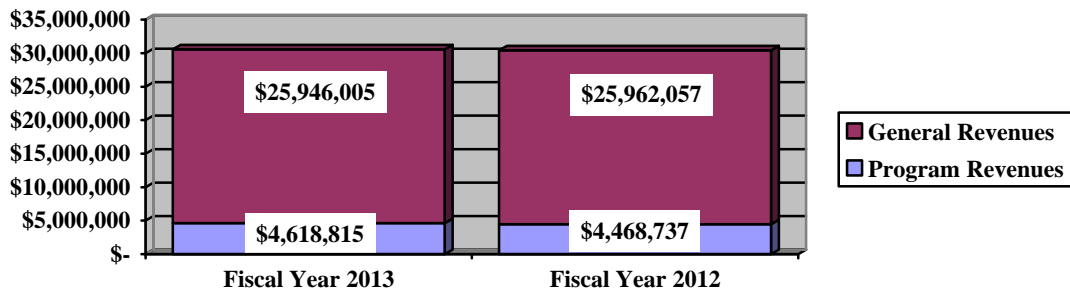
**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 85.17% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.24%.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund deficit balance of \$1,513,668, which is less than last year's deficit fund balance of \$1,652,159. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance (Deficit) <u>June 30, 2013</u>	Fund Balance (Deficit) <u>June 30, 2012</u>	Increase (Decrease)	Percentage Change
General	\$ (2,198,119)	\$ (2,155,735)	\$ (42,384)	(1.97) %
Other Governmental	<u>684,451</u>	<u>503,576</u>	<u>180,875</u>	35.92 %
Total	<u>\$ (1,513,668)</u>	<u>\$ (1,652,159)</u>	<u>\$ 138,491</u>	8.38 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

General Fund

The District's general fund deficit balance increased \$42,384.

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

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 15,412,568	\$ 15,767,581	\$ (355,013)	(2.25) %
Earnings on investments	28,161	21,324	6,837	32.06 %
Tuition	1,492,775	1,343,380	149,395	11.12 %
Intergovernmental	9,889,745	10,397,981	(508,236)	(4.89) %
Other revenues	<u>471,374</u>	<u>408,467</u>	<u>62,907</u>	15.40 %
Total	<u>\$ 27,294,623</u>	<u>\$ 27,938,733</u>	<u>\$ (644,110)</u>	(2.31) %
<u>Expenditures</u>				
Instruction	\$ 17,309,103	\$ 17,336,615	\$ (27,512)	(0.16) %
Support services	9,538,989	10,040,791	(501,802)	(5.00) %
Non-instructional services	792	678	114	16.81 %
Extracurricular activities	<u>488,123</u>	<u>529,342</u>	<u>(41,219)</u>	(7.79) %
Total	<u>\$ 27,337,007</u>	<u>\$ 27,907,426</u>	<u>\$ (570,419)</u>	(2.04) %

Earnings on investments increased approximately 32.06% from prior fiscal year which can be attributed to increased interest rates on the District's investment accounts. Tuition revenue increased approximately 11.12% from prior fiscal year which mainly can be attributed to an increase in open enrollment. Intergovernmental revenues decreased approximately 4.89% due to less school foundation and tangible personal property tax loss revenues received. Other revenues increased approximately 15.40% from prior fiscal year mainly as a result of increased extracurricular revenue, classroom materials revenue and fees and transportation fees being received. Support services expenditures decreased approximately 5.00% due mainly to less being spent on operation and maintenance and pupil transportation during fiscal year 2013. All other revenues and expenditures 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 2013, the general fund, original budgeted revenues were \$27,512,340. Final budgeted revenues were \$27,362,340. Actual revenues and other financing sources for fiscal year 2013 were \$27,369,157. This represents a \$6,817 increase from final budgeted revenues.

General fund original appropriations totaled \$27,528,338. Final appropriations totaled \$27,428,338. The actual budget basis expenditures for fiscal year 2013 totaled \$27,393,217, which was \$35,121 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, 2013
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$3,580,476 (net of accumulated depreciation) invested in land, buildings and improvements, furniture and equipment, vehicles and textbooks (which were fully depreciated at June 30, 2013 and June 30, 2012). This entire amount is reported in governmental activities. The following table shows June 30, 2013 balances compared to June 30, 2012:

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

	Governmental Activities	
	2013	2012
Land	\$ 777,270	\$ 777,270
Building and improvements	1,797,107	1,937,484
Furniture and equipment	296,604	256,224
Vehicles	709,495	721,303
Total	\$ 3,580,476	\$ 3,692,281

The overall decrease in capital assets of \$111,805 is due to depreciation expense of \$364,502 exceeding capital outlays of \$252,697.

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

Debt Administration

At June 30, 2012, the District had \$1,102,620 in an energy conservation bond. Of this total, \$95,880 is due within one year and \$1,006,740 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2013	2012
Energy conservation bond	\$ 1,102,620	\$ 1,198,500
Total	\$ 1,102,620	\$ 1,198,500

At June 30, 2013, the District's overall legal debt margin was \$47,755,762, and an unvoted debt margin of \$530,609.

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, 2013
(UNAUDITED)**

Current Financial Related Activities

With the District facing financial challenges in the future due to State and federal funding reductions, the Board of Education attempted to place an additional tax levy on the November 5, 2013 election for the amount of \$2,068,363 to offset deficits in the future.

No additional operating dollars have been received into the District since 2003; however, since that time the District budget experienced less tax revenue, less State funding and increased operating costs. The Board continues to place cost reduction factors into the budget by reducing staff, changing to a PPO medical insurance plan, going to a four-tier drug card, requiring employees to pay a share of the premium on medical insurance and curtailing capital equipment expenses to offset increased operating costs.

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 POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 3,672,826
Receivables:	
Taxes	18,185,151
Accounts.	10,161
Accrued interest	921
Intergovernmental	393,700
Prepayments	36,499
Materials and supplies inventory.	55,232
Inventory held for resale.	14,819
Capital assets:	
Nondepreciable capital assets	777,270
Depreciable capital assets, net.	2,803,206
Capital assets, net	<u>3,580,476</u>
Total assets.	<u>25,949,785</u>
Liabilities:	
Accounts payable.	52,455
Contracts payable.	17,135
Accrued wages and benefits payable	2,615,865
Pension obligation payable.	551,700
Intergovernmental payable	167,167
Claims payable.	456,859
Accrued interest payable	4,832
Long-term liabilities:	
Due within one year.	377,697
Due in more than one year.	3,666,041
Total liabilities	<u>7,909,751</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	<u>16,513,890</u>
Net position:	
Net investment in capital assets	3,580,476
Restricted for:	
Capital projects	565,358
Debt service.	9,593
State funded programs.	9,716
Federally funded programs	46,967
Student activities	35,832
Unrestricted (deficit)	(2,721,798)
Total net position.	<u>\$ 1,526,144</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, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 15,151,045	\$ 1,335,147	\$ 90,658	\$ (13,725,240)
Special	3,119,038	255,190	1,029,397	(1,834,451)
Vocational	443,305	-	66,307	(376,998)
Other	9,751	-	-	(9,751)
Support services:				
Pupil	1,625,681	-	-	(1,625,681)
Instructional staff	962,258	-	428,185	(534,073)
Board of education	349,618	-	-	(349,618)
Administration	2,318,226	-	-	(2,318,226)
Fiscal	664,796	-	-	(664,796)
Business	100,510	-	-	(100,510)
Operations and maintenance	3,215,304	38,778	63,821	(3,112,705)
Pupil transportation	1,610,451	19,179	3,913	(1,587,359)
Central	4,491	-	-	(4,491)
Operation of non-instructional services:				
Food service operations	694,267	294,186	383,708	(16,373)
Other non-instructional services	300,154	-	295,527	(4,627)
Extracurricular activities	670,144	309,714	5,105	(355,325)
Interest and fiscal charges	61,351	-	-	(61,351)
Total governmental activities	\$ 31,300,390	\$ 2,252,194	\$ 2,366,621	(26,681,575)
 General revenues:				
Property taxes levied for:				
General purposes				15,469,825
Debt service				154,814
Capital outlay				431,793
Grants and entitlements not restricted to specific programs				9,675,348
Investment earnings				27,009
Miscellaneous				187,216
Total general revenues				25,946,005
Change in net position				(735,570)
Net position at beginning of year				2,261,714
Net position at end of year				\$ 1,526,144

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments.	\$ 790,899	\$ 761,493	\$ 1,552,392
Receivables:			
Taxes.	17,530,558	654,593	18,185,151
Accounts	8,999	1,050	10,049
Intergovernmental.	204,521	189,179	393,700
Accrued interest	921	-	921
Prepayments	36,499	-	36,499
Materials and supplies inventory	52,034	3,198	55,232
Inventory held for resale	-	14,819	14,819
Total assets.	\$ 18,624,431	\$ 1,624,332	\$ 20,248,763
Liabilities:			
Accounts payable.	\$ 43,959	\$ 8,496	\$ 52,455
Contracts payable.	-	17,135	17,135
Accrued wages and benefits payable	2,437,740	178,125	2,615,865
Compensated absences payable.	87,923	-	87,923
Pension obligation payable	475,371	76,329	551,700
Intergovernmental payable	159,665	7,502	167,167
Total liabilities.	3,204,658	287,587	3,492,245
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	15,917,791	596,099	16,513,890
Delinquent property tax revenue not available	1,549,371	56,195	1,605,566
Accrued interest not available	834	-	834
Intergovernmental revenue not available	149,896	-	149,896
Total deferred inflows of resources	17,617,892	652,294	18,270,186
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	52,034	18,017	70,051
Prepays.	36,499	-	36,499
Restricted:			
Debt service	-	938	938
Capital improvements	-	522,650	522,650
Non-public schools	-	22,562	22,562
Special education	-	68,855	68,855
Targeted academic assistance	-	45,098	45,098
Other purposes.	-	6,396	6,396
Extracurricular.	-	35,832	35,832
Committed:			
Capital improvements	-	2,275	2,275
Assigned:			
Public school support	30,603	-	30,603
Uniform school supplies	15,152	-	15,152
Retirement	635,540	-	635,540
Other purposes.	10,861	-	10,861
Unassigned (deficit)	(2,978,808)	(38,172)	(3,016,980)
Total fund balances (deficit)	(2,198,119)	684,451	(1,513,668)
Total liabilities, deferred inflows and fund balances	\$ 18,624,431	\$ 1,624,332	\$ 20,248,763

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances		\$	(1,513,668)
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,580,476
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	1,605,566	
Accrued interest receivable		834	
Intergovernmental receivable		149,896	
Total		1,756,296	1,756,296
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 position.			1,663,687
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(4,832)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Energy conservation bonds		1,102,620	
Compensated absences		2,853,195	
Total		(3,955,815)	(3,955,815)
Net position of governmental activities		\$	1,526,144

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, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ 15,412,568	\$ 588,598	\$ 16,001,166
Tuition	1,492,775	-	1,492,775
Transportation fees	19,179	-	19,179
Charges for services	602	329,480	330,082
Earnings on investments	28,161	16	28,177
Extracurricular	173,933	135,781	309,714
Classroom materials and fees	97,562	-	97,562
Rental income	2,882	-	2,882
Contributions and donations	41,014	1,105	42,119
Other local revenues	136,202	14,000	150,202
Intergovernmental - State	9,889,745	351,082	10,240,827
Intergovernmental - Federal	-	1,753,314	1,753,314
Total revenues	27,294,623	3,173,376	30,467,999
Expenditures:			
Current:			
Instruction:			
Regular	14,475,476	90,996	14,566,472
Special	2,389,571	631,681	3,021,252
Vocational	434,305	-	434,305
Other	9,751	-	9,751
Support services:			
Pupil	1,571,627	-	1,571,627
Instructional staff	511,495	364,321	875,816
Board of education	349,618	-	349,618
Administration	2,251,362	-	2,251,362
Fiscal	653,788	8,943	662,731
Business	100,528	-	100,528
Operations and maintenance	2,533,736	98,683	2,632,419
Pupil transportation	1,562,344	-	1,562,344
Central	4,491	-	4,491
Operation of non-instructional services:			
Food service operations	-	667,825	667,825
Other non-instructional services	792	291,572	292,364
Extracurricular activities	488,123	150,033	638,156
Facilities acquisition and construction	-	530,794	530,794
Debt service:			
Principal retirement	-	95,880	95,880
Interest and fiscal charges	-	61,773	61,773
Total expenditures	27,337,007	2,992,501	30,329,508
Net change in fund balances	(42,384)	180,875	138,491
Fund balances (deficit) at beginning of year.	(2,155,735)	503,576	(1,652,159)
Fund balances (deficit) at end of year	\$ (2,198,119)	\$ 684,451	\$ (1,513,668)

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, 2013

Net change in fund balances - total governmental funds	\$	138,491
 <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 asset additions	\$ 252,697	
Current year depreciation	(364,502)	
Total		(111,805)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	55,266	
Earnings on investments	(1,152)	
Intergovernmental	40,746	
Total		94,860
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		95,880
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		422
 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.		
		83,222
 An 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.		
		(1,036,640)
Change in net position of governmental activities	\$	(735,570)

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 16,044,818	\$ 15,957,340	\$ 15,487,690	\$ (469,650)
Tuition.	1,357,401	1,350,000	1,492,775	142,775
Transportation fees.	15,082	15,000	17,755	2,755
Earnings on investments	15,082	15,000	31,501	16,501
Extracurricular.	25,137	25,000	70,896	45,896
Classroom materials and fees	60,329	60,000	83,617	23,617
Rental income	-	-	3,022	3,022
Other local revenues	125,685	125,000	160,977	35,977
Intergovernmental - State	9,868,806	9,815,000	9,889,745	74,745
Total revenues	<u>27,512,340</u>	<u>27,362,340</u>	<u>27,237,978</u>	<u>(124,362)</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,123,295	14,448,739	14,413,618	35,121
Special.	2,533,907	2,426,398	2,426,398	-
Vocational.	394,921	431,136	431,136	-
Support services:				
Pupil.	1,639,660	1,600,335	1,600,335	-
Instructional staff	469,144	510,214	510,214	-
Board of education	330,407	338,610	338,610	-
Administration.	2,328,797	2,267,326	2,267,326	-
Fiscal	685,986	665,585	665,585	-
Business	94,210	101,155	101,155	-
Operations and maintenance.	2,677,275	2,542,107	2,542,107	-
Pupil transportation	1,749,589	1,607,434	1,607,434	-
Central.	4,108	4,491	4,491	-
Other non-instructional services	671	792	792	-
Extracurricular activities.	496,368	484,016	484,016	-
Total expenditures	<u>27,528,338</u>	<u>27,428,338</u>	<u>27,393,217</u>	<u>35,121</u>
Excess of expenditures over revenues	<u>(15,998)</u>	<u>(65,998)</u>	<u>(155,239)</u>	<u>(89,241)</u>
Other financing sources:				
Refund of prior year's expenditures	-	-	131,179	131,179
Total other financing sources	<u>-</u>	<u>-</u>	<u>131,179</u>	<u>131,179</u>
Net change in fund balance	(15,998)	(65,998)	(24,060)	41,938
Fund balance at beginning of year	118,321	118,321	118,321	-
Prior year encumbrances appropriated	26,587	26,587	26,587	-
Fund balance at end of year	<u>\$ 128,910</u>	<u>\$ 78,910</u>	<u>\$ 120,848</u>	<u>\$ 41,938</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,120,434
Receivables:	
Accounts	112
	112
Total assets.	2,120,546
Liabilities:	
Claims payable.	456,859
	456,859
Total liabilities	456,859
Net position:	
Unrestricted	1,663,687
	1,663,687
Total net position.	\$ 1,663,687

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 3,188,586
Total operating revenues	<u>3,188,586</u>
Operating expenses:	
Claims.	<u>4,225,226</u>
Total operating expenses.	<u>4,225,226</u>
Operating loss / change in net position	<u>(1,036,640)</u>
Net position at beginning of year.	<u>2,700,327</u>
Net position at end of year	<u><u>\$ 1,663,687</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, 2013

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 3,188,474
Cash payments for claims	(4,151,190)
	(962,716)
Net cash (used in) operating activities.	(962,716)
Cash and cash equivalents at beginning of year. . .	3,083,150
Cash and cash equivalents at end of year	\$ 2,120,434
 Reconciliation of operating loss to net cash (used in) operating activities:	
Operating loss	\$ (1,036,640)
Changes in assets and liabilities:	
(Increase) in accounts receivable	(112)
Increase in claims payable	74,036
	74,036
Net cash (used in) operating activities	\$ (962,716)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 79,803
Receivables:	
Accounts	2,291
Total assets.	\$ 82,094
Liabilities:	
Accounts payable.	\$ 92
Intergovernmental payable	245
Due to students	81,757
Total liabilities.	\$ 82,094

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, 2013**

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 14 administrators, 128 non-certified and 188 full-time teaching personnel and administrative employees who provide services to 2,958 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 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'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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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, food service, 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, 2013

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; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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 2013. 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 5121 Mahoning Avenue, Suite 102, Austintown, Ohio, 44515.

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, 2013

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

State Support Team Region 5 (the "Team") - The Team is a jointly governed organization among the school districts located in Trumbull, Mahoning Ashtabula, 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 Team 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 Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

Ashtabula County Technical and Career Center - The Ashtabula County Technical and Career Center 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

Workers' Compensation Group Rating Program

During the first half of fiscal year 2013 the District participated in the Ohio School Boards Association (OSBA) / CompManagement, Inc. Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OSBA and administered by CompManagement, Inc. 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 GRP. The District paid a fee to the GRP to cover the costs of administering the program for the time that the District was part of the GRP. As of January 1, 2013 the District was no longer part of the GRP. Refer to Note 10.C. for further information on the GRP.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported 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.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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 funds account for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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 deferred outflows, and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

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 deferred outflows and current liabilities and deferred inflows 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 deferred outflows and all liabilities and deferred inflows associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the 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 services for insurance premiums. Operating expenses for the internal service fund include claims payments. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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 Nonexchange 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.

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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows 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 inflows of resources.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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.

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 investments" on the basic financial statements.

During fiscal year 2013, investments were limited to federal securities, money market accounts and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2013. 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, 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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 2013 amounted to \$28,161, which includes \$22,391 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.

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.

Inventory consists of expendable supplies held for consumption, resale, 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 position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and 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 \$5,000. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 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.

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, 2013, 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, 2013 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. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental column of the statement of net position. At June 30, 2013, there were no interfund balances.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

K. 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 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. Bonds payable are recognized as a liability on the fund financial statements when due.

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District 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 position is available.

N. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had no restricted assets at June 30, 2013.

O. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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.

P. 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.

Q. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

R. 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. All interfund transactions between governmental funds have been eliminated on the governmental-wide financial statements. During fiscal year 2013, there was no interfund activity.

S. 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 2013.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 2,198,119
<u>Nonmajor funds</u>	
Food service	38,172

The deficit fund balances are a result of adjustments for accrued liabilities.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 fiscal year end, the District had \$3,825 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and investments”.

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$2,623,067. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$1,155,512 of the District’s bank balance of \$3,016,844 was exposed to custodial risk as discussed below, while \$1,861,332 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Money market	\$ 4,132	\$ 4,132	\$ -	\$ -	\$ -	\$ -
FHLB	402,088	-	402,088	-	-	-
FFCB	399,080	-	-	-	399,080	-
FHLMC	299,163	-	-	-	-	299,163
STAR Ohio	21,274	21,274	-	-	-	-
Total	<u>\$ 1,125,737</u>	<u>\$ 25,406</u>	<u>\$ 402,088</u>	<u>\$ -</u>	<u>\$ 399,080</u>	<u>\$ 299,163</u>

The weighted average maturity of investments is 1.62 years.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy addresses interest rate risk by requiring the consideration of cash flow requirements and market conditions in determining the term of an investment, and limiting 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. 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: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District's investments in FHLB, FFCB and FHLMC were rated AA+ and Aaa by Standard & Poor's Investor services and Moody's Investor Services, respectively. The money market account is not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to invest in securities authorized by State statute.

Concentration of Credit Risk: The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer.

**HOWLAND LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% of total</u>
Money market	\$ 4,132	0.37
FHLB	402,088	35.72
FFCB	399,080	35.45
FHLMC	299,163	26.57
STAR Ohio	<u>21,274</u>	<u>1.89</u>
Total	<u>\$ 1,125,737</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,623,067
Investments	1,125,737
Cash on hand	<u>3,825</u>
Total	<u>\$ 3,752,629</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,672,826
Agency funds	<u>79,803</u>
Total	<u>\$ 3,752,629</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 property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - PROPERTY TAXES - (Continued)

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, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$63,396 in the general fund, \$1,747 in the permanent improvement fund (a nonmajor governmental fund) and \$552 in the debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$138,518 in the general fund, \$3,967 in the permanent improvement fund (a nonmajor governmental fund) and \$1,434 in the debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 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 deferred inflows.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 531,654,410	98.59	\$ 522,357,530	98.44
Public utility personal	<u>7,619,010</u>	<u>1.41</u>	<u>8,251,620</u>	<u>1.56</u>
Total	<u>\$ 539,273,420</u>	<u>100.00</u>	<u>\$ 530,609,150</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$43.45		\$43.95	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - RECEIVABLES

Receivables at June 30, 2013 consisted of taxes, accounts, accrued interest 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 position follows:

Governmental activities:

Taxes	\$ 18,185,151
Accounts	10,161
Accrued interest	921
Intergovernmental	<u>393,700</u>
Total	<u>\$ 18,589,933</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, 2013, was as follows:

	Balance 06/30/12	Additions	Deductions	Balance 06/30/13
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 777,270	\$ -	\$ -	\$ 777,270
Total capital assets, not being depreciated	<u>777,270</u>	<u>-</u>	<u>-</u>	<u>777,270</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	12,327,196	-	-	12,327,196
Furniture and equipment	770,155	94,997	-	865,152
Vehicles	2,609,386	157,700	(43,268)	2,723,818
Textbooks	<u>743,742</u>	<u>-</u>	<u>-</u>	<u>743,742</u>
Total capital assets, being depreciated	<u>16,450,479</u>	<u>252,697</u>	<u>(43,268)</u>	<u>16,659,908</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(10,389,712)	(140,377)	-	(10,530,089)
Furniture and equipment	(513,931)	(54,617)	-	(568,548)
Vehicles	(1,888,083)	(169,508)	43,268	(2,014,323)
Textbooks	<u>(743,742)</u>	<u>-</u>	<u>-</u>	<u>(743,742)</u>
Total accumulated depreciation	<u>(13,535,468)</u>	<u>(364,502)</u>	<u>43,268</u>	<u>(13,856,702)</u>
Governmental activities capital assets, net	<u>\$ 3,692,281</u>	<u>\$ (111,805)</u>	<u>\$ -</u>	<u>\$ 3,580,476</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 139,513
<u>Support services:</u>	
Fiscal	1,918
Operations and maintenance	61,338
Pupil transportation	119,693
Operation of non-instructional services	7,410
Extracurricular activities	31,990
Food service operations	<u>2,640</u>
Total depreciation expense	<u>\$ 364,502</u>

NOTE 8 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2013, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/13</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Energy conservation bond	\$ 1,198,500	\$ -	\$ (95,880)	\$ 1,102,620	\$ 95,880
Compensated absences	<u>3,138,252</u>	<u>419,304</u>	<u>(616,438)</u>	<u>2,941,118</u>	<u>281,817</u>
Total long-term obligations, governmental activities	<u>\$ 4,336,752</u>	<u>\$ 419,304</u>	<u>\$ (712,318)</u>	<u>\$ 4,043,738</u>	<u>\$ 377,697</u>

During fiscal year 2011, the District issued an energy conservation bond to provide for energy improvements to various District buildings. The primary source of repayment of this obligation is through energy savings as a result of the improvements. The improvements were not capitalized and will not be included in the net investment in capital assets calculation. Payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement fund, a nonmajor governmental fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ended	2011 Energy Conservation Bond		
	Principal	Interest	Total
2014	\$ 95,880	\$ 56,727	\$ 152,607
2015	95,880	51,694	147,574
2016	95,880	46,650	142,530
2017	95,880	41,607	137,487
2018	95,880	36,564	132,444
2019 - 2023	479,400	107,170	586,570
2024 - 2025	143,820	7,565	151,385
Total	<u>\$ 1,102,620</u>	<u>\$ 347,977</u>	<u>\$ 1,450,597</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, IDEA Part-B and improving teacher quality.

B. 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, 2013, are a voted debt margin of \$47,755,762, (including available funds of \$938) and an unvoted debt margin of \$530,609.

NOTE 9 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - OTHER EMPLOYEE BENEFITS - (Continued)

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

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. An employee receiving such payment must meet the retirement provisions set by SERS.

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 Dearborn Life Insurance Company.

NOTE 10 - 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 Casualty Insurance:

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

Settled claims have not exceeded this commercial coverage in any of the past three years 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - RISK MANAGEMENT - (Continued)

B. Self Insurance

Medical, prescription, dental and life insurance are offered to employees through a self-insurance internal service fund. This plan provides a comprehensive major medical/surgical/drug plan with a lifetime maximum per individual of \$2,000,000. The coverage includes annual out-of-pocket limits of \$350 single and \$900 family for network providers and \$750 single and \$1,500 family for non-network providers. 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 \$100,000 per individual. The District pays into the insurance reserve internal service fund \$1,260 for family coverage or \$530 for individual coverage per month which represents the entire premium required for medical/surgical/drug coverage. The premium for dental coverage is \$110 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 \$456,859 reported in the internal service fund at June 30, 2013, 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>
2013	\$ 382,823	\$ 4,225,226	\$ (4,151,190)	\$ 456,859
2012	420,756	4,475,573	(4,513,506)	382,823

C. Workers' Compensation

For the first half of fiscal year 2013, the District participated in the OSBA/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate of the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. As of January 1, 2013 the District no longer participated in the GRP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - 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, disability, survivor 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, under "*Employers/Audit Resources*".

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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$473,912, \$474,131 and \$469,362, respectively; 68.67 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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, under "*Publications*".

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 11 - 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 2013, 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, 2013, 2012 and 2011 were \$1,750,790, \$1,747,858 and \$1,862,007, respectively; 83.66 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$24,105 made by the District and \$17,218 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, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 - 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

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 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$80,172, \$103,172 and \$139,470, respectively; 68.67 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$26,771, \$28,000 and \$30,204, respectively; 68.67 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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, under "Publications" 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 2013, 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, 2013, 2012 and 2011 were \$134,676, \$134,451 and \$143,231, respectively; 83.66 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - 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 and disbursements.

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);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget 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	\$ (24,060)
Net adjustment for revenue accruals	(109,039)
Net adjustment for expenditure accruals	317,519
Net adjustment for other sources/uses	(131,179)
Funds budgeted elsewhere **	(127,357)
Adjustment for encumbrances	31,732
GAAP basis	\$ (42,384)

** Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the entire unclaimed monies fund, special trust fund, public schools support fund, retirement fund, special rotary fund and the uniform school supplies fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - 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 not involved in material litigation as either plaintiff or defendant.

NOTE 15 - STATUTORY RESERVES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	502,565
Current year qualifying expenditures	<u>(516,113)</u>
Total	<u>\$ (13,548)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u><u>\$ -</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 16 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 127,254
Other governmental	<u>122,926</u>
Total	<u>\$ 250,180</u>

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**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
National School Lunch Program	2013	10.555	\$ 376,975	\$ 36,813	\$ 376,975	\$ 36,813
State Administrative Expense for Child Nutrition	2013	10.560	16,093		9,697	
Total U.S. Department of Agriculture			393,068	36,813	386,672	36,813
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education - Grants to States (IDEA Part B)	2012	84.027	31,129		46,193	
	2013	84.027	513,635		463,517	
Subtotal			544,764		509,710	
Title I Grants to Local Education Agencies	2012	84.010	6,618		15,992	
	2013	84.010	537,000		511,252	
Subtotal			543,618		527,244	
Title II-A Improving Teacher Quality	2012	84.367	3,279		13,505	
	2013	84.367	74,785		72,329	
Subtotal			78,064		85,834	
ARRA - Race to the Top	2012	84.395	1,050		1,050	
Education Jobs Fund	2012	84.410	30,918		33,735	
TOTAL U.S. DEPARTMENT OF EDUCATION			1,198,414	-	1,157,573	-
TOTAL			\$1,591,482	\$36,813	\$1,544,245	\$36,813

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

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the schedule) reports the Howland Local School District's, (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2014 wherein we noted the District has adopted Governmental Accounting Standards Board Statement No's. 63 and 65.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Howland Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Howland Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Auditor Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on the National School Lunch Program

As described in finding 2013-001 in the accompanying schedule of findings, the District did not comply with requirements regarding suspension and debarment applicable to its National School Lunch major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on the National School Lunch Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the National School Lunch Program* paragraph, the Howland Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its National School Lunch Program for the year ended June 30, 2013.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Howland Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended June 30, 2013.

Other Matters

The District's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-001 to be a material weakness.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2014

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**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	National School Lunch (10.555) Title I (84.010) Special Education (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 FOR FEDERAL AWARDS

1. Nutrition Cluster Program - Suspension and Debarment

Finding Number	2013-001
CFDA Title and Number	10.555 National School Lunch Program
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE and MATERIAL WEAKNESS

7 CFR Section 3016.35 states that grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension". 2 CFR Part 180 provides Office of Management and Budget (OMB) guidelines to agencies on government wide debarment and suspension. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

The District entered into three contracts in excess of the \$25,000 threshold, ranging from \$43,884 to \$137,275. No documentation was provided to indicate the District verified the parties were not suspended or debarred.

We recommend the District establish procedures to ensure compliance with suspension and debarment requirements prior to entering into a covered transaction.

Official's Response:

The three vendors were not excluded. The District contracts with a vendor to perform their food service program. The District thought the vendor was responsible to ensure compliance with suspension and debarment requirements.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	District will ensure compliance with suspension and debarment requirements.	April 1, 2014	Treasurer

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Howland Local School District (the District,) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on February 25, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 12, 2014

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www.ohioauditor.gov

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HOWLAND LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 3, 2014