



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

Voniovich Government Center  
242 Federal Plaza West, Suite 302  
Youngstown, Ohio 44503

Telephone 330-797-9900  
800-443-9271

Facsimile 330-797-9949

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Howland Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Government's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Howland Local School District, Trumbull County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

December 22, 2000

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,257,419	\$226,736	\$42,023	\$411,507
Cash and Cash Equivalents With Fiscal Agents			366	
Receivables:				
Taxes	16,774,819		163,015	52,319
Accounts	590	103		
Intergovernmental				
Accrued Interest	2,802			
Interfund Receivable	1,200			
Prepaid Items	21,426			
Inventory Held for Resale				
Materials and Supplies				
Inventory	47,599			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	339,560			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
<b>Other Debits</b>				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$19,445,415</b>	<b>\$226,839</b>	<b>\$205,404</b>	<b>\$463,826</b>

*See accompanying notes to general purpose financial statements.*



<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$139,764	\$2,110,801	\$47,200			\$5,235,450
					366
					16,990,153
70					763
19,226					19,226
					2,802
					1,200
					21,426
13,451					13,451
2,366					49,965
					339,560
272,748			19,827,692		20,100,440
				42,404	42,404
				2,530,757	2,530,757
<b><u>\$447,625</u></b>	<b><u>\$2,110,801</u></b>	<b><u>\$47,200</u></b>	<b><u>\$19,827,692</u></b>	<b><u>\$2,573,161</u></b>	<b><u>\$45,347,963</u></b>

(Continued)

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Liabilities,</b>				
<b>Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$208,492	\$1,940		\$54,750
Accrued Wages	1,919,791	53,008		
Compensated Absences Payable	59,186			
Interfund Payable				
Intergovernmental Payable	446,895	10,164		
Deferred Revenue	16,745,129		162,634	52,319
Due to Students				
Matured Interest Payable			366	
Accrued Interest Payable				16,780
Notes Payable				508,500
Claims Payable				
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<b>19,379,493</b>	<b>65,112</b>	<b>163,000</b>	<b>632,349</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	76,741	15,750		218,090
Reserved for Inventory	47,599			
Reserved for Budget Stabilization	339,560			
Reserved for Property Taxes	29,690		381	
Unreserved, Undesignated (Deficit)	(427,668)	145,977	42,023	(386,613)
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>65,922</b>	<b>161,727</b>	<b>42,404</b>	<b>(168,523)</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$19,445,415</b>	<b>\$226,839</b>	<b>\$205,404</b>	<b>\$463,826</b>

See accompanying notes to general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
					\$265,182
40,577					2,013,376
59,619				2,120,383	2,239,188
1,200					1,200
35,301				191,848	684,208
5,081					16,965,163
		47,200			47,200
					366
					16,780
					508,500
	131,013				131,013
				110,930	110,930
				150,000	150,000
<u>141,778</u>	<u>131,013</u>	<u>47,200</u>		<u>2,573,161</u>	<u>23,133,106</u>
			19,827,692		19,827,692
67,168					67,168
238,679	1,979,788				2,218,467
					310,581
					47,599
					339,560
					30,071
					(626,281)
<u>305,847</u>	<u>1,979,788</u>		<u>19,827,692</u>		<u>22,214,857</u>
<u><b>\$447,625</b></u>	<u><b>\$2,110,801</b></u>	<u><b>\$47,200</b></u>	<u><b>\$19,827,692</b></u>	<u><b>\$2,573,161</b></u>	<u><b>\$45,347,963</b></u>

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues</b>					
Taxes	\$14,675,317		\$249,619	\$79,993	\$15,004,929
Intergovernmental	5,523,778	715,342		5,263	6,244,383
Interest	379,283	2,405			381,688
Tuition and Fees	154,377	703			155,080
Extracurricular Activities		200,011			200,011
Gifts and Donations	3,050				3,050
Rent	2,101				2,101
Miscellaneous	211,079	15,386			226,465
<i>Total Revenues</i>	<u>20,948,985</u>	<u>933,847</u>	<u>249,619</u>	<u>85,256</u>	<u>22,217,707</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	10,548,735	175,388			10,724,123
Special	2,727,751	202,903			2,930,654
Vocational	248,013				248,013
Support Services:					
Pupils	951,455	13,151			964,606
Instructional Staff	550,758	181,568			732,326
Board of Education	101,324				101,324
Administration	1,942,744	17,767			1,960,511
Fiscal	542,695				542,695
Business	87,052				87,052
Operation and Maintenance of Plant	2,401,337				2,401,337
Pupil Transportation	1,555,479				1,555,479
Central	17,209	9,590			26,799
Operation of Non-Instructional Services	517	244,787			245,304
Extracurricular Activities	400,242	93,970			494,212
Capital Outlay				542,837	542,837
Debt Service:					
Principal Retirement			223,457		223,457
Interest and Fiscal Charges			25,781	18,929	44,710
<i>Total Expenditures</i>	<u>22,075,311</u>	<u>939,124</u>	<u>249,238</u>	<u>561,766</u>	<u>23,825,439</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,126,326)</u>	<u>(5,277)</u>	<u>381</u>	<u>(476,510)</u>	<u>(1,607,732)</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In				225,000	225,000
Operating Transfers Out	(225,000)				(225,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(225,000)</u>			<u>225,000</u>	
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures And Other Financing Uses</i>	<u>(1,351,326)</u>	<u>(5,277)</u>	<u>381</u>	<u>(251,510)</u>	<u>(1,607,732)</u>
<i>Fund Balances Beginning of Year</i>	1,436,743	167,004	42,023	82,987	1,728,757
Decrease in Reserve for Inventory	(19,495)				(19,495)
<b>Fund Balances (Deficit) End of Year</b>	<u><b>\$65,922</b></u>	<u><b>\$161,727</b></u>	<u><b>\$42,404</b></u>	<u><b>(\$168,523)</b></u>	<u><b>\$101,530</b></u>

See accompanying notes to the general purpose financial statements.

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPEDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET (NON GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$14,908,714	\$14,900,180	(\$8,534)
Intergovernmental	5,598,500	5,526,478	(72,022)
Interest	400,000	401,258	1,258
Tuition and Fees	115,000	155,192	40,192
Extracurricular Activities			
Gifts and Donations		3,050	3,050
Rentals	1,000	2,101	1,101
Miscellaneous	24,000	211,079	187,079
<b>Total Revenues</b>	<b>21,047,214</b>	<b>21,199,338</b>	<b>152,124</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,555,500	10,424,771	130,729
Special	2,866,000	2,861,018	4,982
Vocational	253,000	243,453	9,547
Support Services:			
Pupils	952,500	934,677	17,823
Instructional Staff	571,900	556,247	15,653
Board of Education	133,900	102,702	31,198
Administration	1,996,500	1,948,306	48,194
Fiscal	566,500	541,031	25,469
Business	85,500	90,720	(5,220)
Operation and Maintenance of Plant	2,525,500	2,439,471	86,029
Pupil Transportation	1,417,500	1,518,698	(101,198)
Central	11,000	17,209	(6,209)
Operation of Non-Instructional Services			
Extracurricular Activities	1,000	517	483
Capital Outlay	408,000	401,226	6,774
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<b>Total Expenditures</b>	<b>22,344,300</b>	<b>22,080,046</b>	<b>264,254</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,297,086)</b>	<b>(880,708)</b>	<b>416,378</b>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In			
Operating Transfers Out	(225,000)	(225,000)	
<b>Total Other Financing Sources (Uses)</b>	<b>(225,000)</b>	<b>(225,000)</b>	
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(1,522,086)</b>	<b>(1,105,708)</b>	<b>416,378</b>
<b>Fund Balances</b>			
Beginning of Year	2,900,481	2,900,481	
Prior Year Encumbrances Appropriated	364,526	364,526	
<b>Fund Balances End of Year</b>	<b>\$1,742,921</b>	<b>\$2,159,299</b>	<b>\$416,378</b>

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$330,000	\$329,231	(\$769)	5,000	5,263	263
715,342	715,342							
2,358	2,405	47						
600	600							
207,300	205,959	(1,341)						
<u>12,100</u>	<u>15,386</u>	<u>3,286</u>						
<u>937,700</u>	<u>939,692</u>	<u>1,992</u>	<u>330,000</u>	<u>329,231</u>	<u>(769)</u>	<u>5,000</u>	<u>5,263</u>	<u>263</u>
208,291	190,614	17,677						
267,284	194,750	72,534						
14,853	13,651	1,202						
177,359	182,222	(4,863)						
27,382	19,871	7,511						
9,590	9,590							
238,776	260,641	(21,865)						
101,000	98,780	2,220				737,230	895,422	(158,192)
			280,000	279,957	43			
			50,000	49,274	726			
<u>1,044,535</u>	<u>970,119</u>	<u>74,416</u>	<u>330,000</u>	<u>329,231</u>	<u>769</u>	<u>737,230</u>	<u>895,422</u>	<u>(158,192)</u>
<u>(106,835)</u>	<u>(30,427)</u>	<u>76,408</u>				<u>(732,230)</u>	<u>(890,159)</u>	<u>(157,929)</u>
						225,000	225,000	
						225,000	225,000	
(106,835)	(30,427)	76,408				(507,230)	(665,159)	(157,929)
148,400	148,400		42,023	42,023		572,626	572,626	
50,735	50,735					231,200	231,200	
<u>\$92,300</u>	<u>\$168,708</u>	<u>\$76,408</u>	<u>\$42,023</u>	<u>\$42,023</u>		<u>\$296,596</u>	<u>\$138,667</u>	<u>(\$157,929)</u>

(Continued)

HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY

**COMBINED STATEMENT OF REVENUES, EXPEDITURES, AND  
CHANGES IN FUND BALANCES-BUDGET (NON GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

	Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$15,238,714	\$15,229,411	(\$9,303)
Intergovernmental	6,318,842	6,247,083	(71,759)
Interest	402,358	403,663	1,305
Tuition and Fees	115,600	155,792	40,192
Extracurricular Activities	207,300	205,959	(1,341)
Gifts and Donations	0	3,050	3,050
Rentals	1,000	2,101	1,101
Miscellaneous	36,100	226,465	190,365
<i>Total Revenues</i>	<u>22,319,914</u>	<u>22,473,524</u>	<u>153,610</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,763,791	10,615,385	148,406
Special	3,133,284	3,055,768	77,516
Vocational	253,000	243,453	9,547
Support Services:			
Pupils	967,353	948,328	19,025
Instructional Staff	749,259	738,469	10,790
Board of Education	133,900	102,702	31,198
Administration	2,023,882	1,968,177	55,705
Fiscal	566,500	541,031	25,469
Business	85,500	90,720	(5,220)
Operation and Maintenance of Plant	2,525,500	2,439,471	86,029
Pupil Transportation	1,417,500	1,518,698	(101,198)
Central	20,590	26,799	(6,209)
Operation of Non-Instructional Services	239,776	261,158	(21,382)
Extracurricular Activities	509,000	500,006	8,994
Capital Outlay	737,230	895,422	(158,192)
Debt Service:			
Principal Retirement	280,000	279,957	43
Interest and Fiscal Charges	50,000	49,274	726
<i>Total Expenditures</i>	<u>24,456,065</u>	<u>24,274,818</u>	<u>181,247</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,136,151)</u>	<u>(1,801,294)</u>	<u>334,857</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	225,000	225,000	
Operating Transfers Out	(225,000)	(225,000)	
<i>Total Other Financing Sources (Uses)</i>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(2,136,151)</u>	<u>(1,801,294)</u>	<u>334,857</u>
<b>Fund Balances</b>			
Beginning of Year	3,663,530	3,663,530	
Prior Year Encumbrances Appropriated	646,461	646,461	
<b>Fund Balances End of Year</b>	<u><u>\$2,173,840</u></u>	<u><u>\$2,508,697</u></u>	<u><u>\$334,857</u></u>

See accompanying notes to the general purpose financial statements.



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Operating Revenues</b>			
Sales	\$631,233		\$631,233
Charges for Services		1,939,635	1,939,635
<i>Total Operating Revenues</i>	<u>631,233</u>	<u>1,939,635</u>	<u>2,570,868</u>
<b>Operating Expenses</b>			
Salaries	322,402		322,402
Fringe Benefits	68,759		68,759
Purchased Services	3,000		3,000
Materials and Supplies	24,589		24,589
Cost of Sales	399,205		399,205
Depreciation	26,154		26,154
Claims		1,656,083	1,656,083
<i>Total Operating Expenses</i>	<u>844,109</u>	<u>1,656,083</u>	<u>2,500,192</u>
<i>Operating Income (Loss)</i>	<u>(212,876)</u>	<u>283,552</u>	<u>70,676</u>
<b>Non-Operating Revenues</b>			
Federal Donated Commodities	32,272		32,272
Operating Grants	143,348		143,348
<i>Total Non-Operating Revenues</i>	<u>175,620</u>		<u>175,620</u>
<i>Net Income (Loss)</i>	<u>(37,256)</u>	<u>283,552</u>	<u>246,296</u>
<i>Retained Earnings Beginning of Year</i>	<u>275,935</u>	<u>1,696,236</u>	<u>1,972,171</u>
<i>Retained Earnings End of Year</i>	238,679	1,979,788	2,218,467
Contributed Capital Beginning and End of Year	<u>67,168</u>		<u>67,168</u>
<b>Total Fund Equity End of Year</b>	<u><b>\$305,847</b></u>	<u><b>\$1,979,788</b></u>	<u><b>\$2,285,635</b></u>

See accompanying notes to the general purpose financial statements.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND BALANCES-BUDGET (NON GAAP BASIS) AND ACTUAL  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Sales	\$574,600	\$631,599	\$56,999
Charges for Services			
Operating Grants	<u>137,000</u>	<u>124,122</u>	<u>(12,878)</u>
<i>Total Revenues</i>	<u>711,600</u>	<u>755,721</u>	<u>44,121</u>
<b>Expenses</b>			
Salaries	270,300	270,251	49
Fringe Benefits	98,500	93,008	5,492
Purchased Services	4,800	3,000	1,800
Materials and Supplies	394,228	393,628	600
Capital Outlay	11,272	10,225	1,047
Other	1,000		1,000
Claims			
<i>Total Expenses</i>	<u>780,100</u>	<u>770,112</u>	<u>9,988</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(68,500)	(14,391)	54,109
<i>Fund Equity Beginning of Year</i>	<u>148,187</u>	<u>148,187</u>	
<b><i>Fund Equity End of Year</i></b>	<b><u>\$79,687</u></b>	<b><u>\$133,796</u></b>	<b><u>\$54,109</u></b>

See accompanying notes to the general purpose financial statements.

<u>Internal Service Fund</u>			<u>Total (Memorandum Only)</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
			\$574,600	\$631,599	\$56,999
1,940,000	1,939,635	(365)	1,940,000	1,939,635	(365)
			137,000	124,122	(12,878)
<u>1,940,000</u>	<u>1,939,635</u>	<u>(365)</u>	<u>2,651,600</u>	<u>2,695,356</u>	<u>43,756</u>
			270,300	270,251	49
			98,500	93,008	5,492
			4,800	3,000	1,800
			394,228	393,628	600
			11,272	10,225	1,047
			1,000		1,000
<u>2,000,000</u>	<u>1,624,932</u>	<u>375,068</u>	<u>2,000,000</u>	<u>1,624,932</u>	<u>375,068</u>
<u>2,000,000</u>	<u>1,624,932</u>	<u>375,068</u>	<u>2,780,100</u>	<u>2,395,044</u>	<u>385,056</u>
(60,000)	314,703	374,703	(128,500)	300,312	428,812
<u>1,796,098</u>	<u>1,796,098</u>		<u>1,944,285</u>	<u>1,944,285</u>	
<b><u>\$1,736,098</u></b>	<b><u>\$2,110,801</u></b>	<b><u>\$374,703</u></b>	<b><u>\$1,815,785</u></b>	<b><u>\$2,244,597</u></b>	<b><u>\$428,812</u></b>

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$631,599		\$631,599
Cash Received from Quasi-External Transactions with Other Funds		1,939,635	1,939,635
Cash Payments to Suppliers for Goods and Services	(396,628)		(396,628)
Cash Payments to Employees for Services	(270,251)		(270,251)
Cash Payments for Employee Benefits	(92,654)		(92,654)
Cash Payments for Claims		(1,624,932)	(1,624,932)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(127,934)	314,703	186,769
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Grants Received	124,122		124,122
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments for Capital Acquisitions	(7,225)		(7,225)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(11,037)	314,703	303,666
Cash and Cash Equivalents Beginning of Year	150,801	1,796,098	1,946,899
<b><i>Cash and Cash Equivalents End of Year</i></b>	<b><u>\$139,764</u></b>	<b><u>\$2,110,801</u></b>	<b><u>\$2,250,565</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
<i>Operating Income (Loss)</i>	(\$212,876)	\$283,552	\$70,676
<i>Adjustments:</i>			
Depreciation	26,154		26,154
Donated Commodities Used During Year	32,272		32,272
Decrease/(Increase) in Assets:			
Accounts Receivable	366		366
Inventory Held for Resale	(1,986)		(1,986)
Materials and Supplies Inventory	211		211
Increase/(Decrease) in Liabilities:			
Accrued Wages	4,806		4,806
Compensated Absences Payable	13,017		13,017
Intergovernmental Payable	10,102		10,102
Claims Payable		31,151	31,151
<i>Total Adjustments</i>	84,942	31,151	116,093
<b><i>Net Cash Provided by (Used for) Operating Activities</i></b>	<b><u>(\$127,934)</u></b>	<b><u>\$314,703</u></b>	<b><u>\$186,769</u></b>

See accompanying notes to the general purpose financial statements

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District operates under a locally elected five-member Board form of government. Each member is elected to a four-year term. The School District provides educational services as authorized by State and/or federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 165 non-certificated and 230 full-time teaching personnel and administrative employees who provide services to 3,387 students and other community members.

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

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

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

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

The following activities are included within the reporting entity:

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

The School District is associated with five jointly governed organizations and one insurance purchasing pool. These organizations are the North East Ohio Management Information Network (NEOMIN), the North-East Ohio Instructional Media Center (NEOIMC), the North East Ohio Special Education Regional Resource Center (NEO/SERRC), the Region 12 Professional Development Center (Center), the Vocational Compact and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the General Purpose Financial Statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The general purpose financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

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

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

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

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

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

HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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

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

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

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

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

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

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

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

**General Fixed Assets Account Group** This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

**General Long-Term Obligations Account Group** This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

**B. Measurement Focus and Basis of Accounting**

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

**C. Budgetary Data**

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

**Tax Budget** Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for rate determination.

**Estimated Resources** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimates resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2000.

**Appropriations** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimates resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

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

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

**D. Cash and Cash Equivalents**

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

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

During fiscal year 2000, investments were limited to Federal National Mortgage Association Notes, STAR Ohio, the State Treasurer's Investment Pool and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Assets Reserve (STAR Ohio) during fiscal year 2000. 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 SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$379,823 which includes \$201,482 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. Summary of Significant Accounting Principles (Continued)**

**E. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. The reserve for budget stabilization also includes a refund received in fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in the reserve. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

**F. Inventory**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**H. Fixed Assets and Depreciation**

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

**I. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

*Entitlements*

*General Fund*

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement
- Disadvantaged Pupil Impact Aid

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Auxiliary Services
- Reading Recovery
- Professional Development Grant
- School Net Grant
- Textbook Subsidy Grant
- Title VI-B
- Title I
- Title VI
- Education Management Information Systems
- Drug Free Schools
- Conflict Management Resolution
- E-Rate
- Ohioreads
- Safe Schools Help Line
- Virtual Middle School
- Class Size Reduction

*Capital Projects Fund*

- School Net Plus

*Reimbursable Grants*

*General Fund*

- School Bus Purchase Reimbursement
- Driver Education Reimbursement

*Proprietary Funds*

- National School Lunch Program
- Government Donated Commodities
- Special Milk Program

Grants and entitlements amounted to 28 percent of the revenues reported in the School District's governmental funds during the 2000 fiscal year.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

**J. Interfund Assets/Liabilities**

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

**K. Compensated Absences**

The liability for compensated absences is based on provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

**L. Contributed Capital**

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

**M. Accrued Liabilities and Long-term Obligations**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

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

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

**N. Interfund Transactions**

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

**O. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**P. Estimates**

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

**Q. Totals Columns on General Purpose Financial Statements**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**3. ACCOUNTABILITY AND LEGAL COMPLIANCE**

**A. Fund Deficits**

The Title VI-B special revenue fund and the SchoolNet capital projects fund had fund deficits of \$17,435 and \$22,259, respectively. These deficits are a result of accrual accounting. The general fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

The House Bill 264 capital projects fund has a fund deficit of \$525,280. The deficit is the result of the issuance of short-term bond anticipation notes. Once bonds are issued and the liability is reported in the general long-term obligations account group rather than in the fund, the deficit fund balance will be eliminated.

The Uniform School Supply enterprise fund had a retained earnings deficit of \$1,119 which resulted from the application of generally accepted accounting principles. The School District is reviewing the Uniform School Supply operations to determine if steps need to be taken to insure that the fund is self-sustaining.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures And Other Financing Uses  
Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$1,351,326)	(\$5,277)	\$381	(\$251,510)
Revenue Accruals	250,353	5,845	(381)	0
Note Activity with Differing Fund Treatment:				
Taxes Revenue	0	0	79,993	(79,993)
Expenditure Accruals	280,498	198,419	0	(84,309)
Principal Retirement	0	0	(56,500)	0
Interest and Fiscal Charges	0	0	(23,493)	23,493
Encumbrances	(285,233)	(229,414)	0	(272,840)
Budget Basis	<u>(\$1,105,708)</u>	<u>(\$30,427)</u>	<u>\$0</u>	<u>(\$665,159)</u>

Net Income (Loss)/Excess of Revenues  
Over (Under) Expenses  
Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$37,256)	\$283,552
Revenue Accruals	(18,860)	0
Expense Accruals	25,796	31,151
Capital Outlay	(7,225)	0
Depreciation Expense	26,154	0
Encumbrances	(3,000)	0
Budget Basis	<u>(\$14,391)</u>	<u>\$314,703</u>

**5. DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**5. 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

**Deposits** At year end the carrying amount of the School District's deposits was \$1,009,268 and the bank balance was \$1,592,263. Of the bank balance, \$400,000 was covered by federal depository insurance, and \$1,192,263 was uncollateralized and uninsured. Although the securities were held by the pledging financial institution's trust department or agent in the financial institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

	Category 3	Carrying Amount	Fair Value
Federal National Mortgage Association Notes	\$485,960	\$485,960	\$485,960
Repurchase Agreement	383,467	383,467	383,467
STAROhio		3,692,331	3,692,331
<i>Total Investments</i>	<b>\$869,427</b>	<b>\$4,561,758</b>	<b>\$4,561,758</b>

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$5,575,376	\$0
Cash on Hand	(4,350)	
Investments of the Cash		
Management Pool:		
Federal National Mortgage Association Notes	(485,960)	485,960
Repurchase Agreement	(383,467)	383,467
STAROhio	(3,692,331)	3,692,331
<i>GASB Statement No. 3</i>	\$1,009,268	\$4,561,758

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar year 2000 for real and public utility property taxes represents collections of calendar year 1999 taxes. Property tax payments received during calendar year 2000 for tangible personal property (other than public utility property) is for calendar year 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value listed as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2000 public utility taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 2000, on the values as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The assessed value upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$377,140,570	74.77%	\$430,653,350	76.26%
Public Utility Personal	15,559,710	3.08	13,716,850	2.43
Tangible Personal Property	111,654,173	22.15	120,372,371	21.31
	<u>\$504,354,453</u>	<u>100.00%</u>	<u>\$564,742,571</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$38.90		\$37.84	

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

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

The School District receives property taxes from Trumbull County. The County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represented delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2000, was \$30,071 and is recognized as revenue. \$29,690 was available to the general fund and \$381 was available to the debt service fund.

**7. RECEIVABLES**

Receivables at June 30, 2000, consisted of taxes, accounts (rent and student fees) and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. At June 30, 2000, the Food Service enterprise fund had an intergovernmental receivable of \$19,226 for the federal and state school lunch program.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$518,645
Less Accumulated Depreciation	<u>(245,897)</u>
Net Fixed Assets	<u><u>\$272,748</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$1,776,465	\$0	\$0	\$1,776,465
Building and Improvements	9,961,865	0	0	9,961,865
Furniture and Equipment	5,929,707	345,547	67,687	6,207,567
Vehicles	1,700,789	213,290	32,284	1,881,795
Totals	<u>\$19,368,826</u>	<u>\$558,837</u>	<u>\$99,971</u>	<u>\$19,827,692</u>

There was no significant construction in progress at June 30, 2000.

**9. RISK MANAGEMENT**

**A. Property and Liability**

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

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

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

**B. Workers' Compensation**

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Medical Benefits**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. This plan provides a medical/surgical plan with a \$100 single and \$200 family deductible and then twenty percent of the next \$2,500 is payable by the employee. A third party administrator, Coresource, located in Columbus, Ohio, reviews all claims which are then paid by the School District. The School District purchases stop-loss coverage of \$50,000 per individual. The School District pays into the insurance reserve internal service fund \$571.30 for family coverage or \$226.29 for individual coverage per month which represents the entire premium required for medical/surgical coverage. The premium for dental coverage is \$62.24 per month. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. The School District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

The claims liability of \$131,013 reported in the internal service fund at June 30, 2000, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$105,312	\$1,402,769	\$1,368,730	\$139,351
1999	139,351	1,580,383	1,619,872	99,862
2000	99,862	1,656,083	1,624,932	131,013

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$160,752, \$240,708, and \$256,278, respectively; 50.32 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1998 and 1999. \$79,858 represents the unpaid contribution for fiscal year 2000, and is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$645,492, \$651,203, and \$1,020,884, respectively; 85.15 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1998 and 1999. \$95,838 representing the unpaid contribution for fiscal year 2000, and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, four Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**11. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

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

Upon retirement, classified employees with ten years of service can receive payment for up to twenty-five days, those with eleven to fifteen years can receive up to thirty-five days, those with sixteen to twenty years can receive up to thirty-eight days, those with twenty-one to twenty-five years can receive up to forty-one days, and those with twenty-six or more years can receive up to forty-five days. These employees will also receive twenty percent of any remaining accrued sick leave days. In addition, employees with ten or more years of service may receive fifty to one hundred percent (five percent is added for each year after ten years) of accumulated sick days upon separation from the School District for reasons other than retirement.

**B. Insurance**

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

Prescription drug insurance is provided through the PCS Health Systems, Inc. Premiums for prescription drug insurance are \$131.15 monthly on a composite basis and the plan utilizes \$2 or \$5 per prescription deductibles.

Medical/surgical benefits are provided through Community Mutual Blue Cross/Blue Shield. The School District pays \$589.87 for family coverage and \$251.22 for individual coverage per month which represents the entire premium.



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**12. LONG TERM OBLIGATIONS**

The long-term obligations activity of the School District for the fiscal year ended June 30, 2000, was as follows:

	Principal Outstanding 6/30/99	Additions	Deduction s	Principal Outstanding 6/30/00
1997 \$883,997 Asbestos Removal Loan, 0%	\$144,387	\$0	\$33,457	\$110,930
1999 \$225,000 Classroom Facilities Acquisition Bond, 4%	225,000	0	75,000	150,000
1996 \$330,000 General Obligation School Bus Acquisition Bond, 5.24%	115,000	0	115,000	0
Intergovernmental Payable	187,000	191,848	187,000	191,848
Compensated Absences	1,973,633	146,750	0	2,120,383
Total General Long-Term Obligations	<u>\$2,645,020</u>	<u>\$338,598</u>	<u>\$410,457</u>	<u>\$2,573,161</u>

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

The School District's voted legal debt margin was \$50,854,235 with an unvoted debt margin of \$5,082,683 at June 30, 2000.

Principal and interest requirements to retire the asbestos loan and the general obligation bond outstanding at June 30, 2000 are as follows:

Fiscal Year Ending June 30,	Asbestos Removal	General Obligation Bonds	
	Principal	Principal	Interest
2001	\$33,458	\$75,000	\$6,225
2002	33,458	75,000	3,150
2003	33,458	0	0
2004	10,557	0	0
<i>Total</i>	<u>\$110,930</u>	<u>\$150,000</u>	<u>\$9,375</u>

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**13. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,860,053 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the Athorough and efficient@ clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme court rendered a opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**14. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**B. Litigation**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of the lunchroom and uniform school supply sales. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Howland Local School District as of and for the fiscal year ended June 30, 2000.

	Lunchroom	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$606,865	\$24,368	\$631,233
Depreciation Expense	26,154	0	26,154
Operating Loss	(212,655)	(221)	(212,876)
Donated Commodities	32,272	0	32,272
Operating Grants	143,348	0	143,348
Net Loss	(37,035)	(221)	(37,256)
Net Working Capital	98,918	(1,119)	97,799
Total Assets	447,544	81	447,625
Total Equity	306,966	(1,119)	305,847
Encumbrances Outstanding at June 30, 2000	3,000	0	3,000

**16. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$860,656 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**16. POSTEMPLOYMENT BENEFITS (Continued)**

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase of 2.20 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$308,303.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**17. JOINTLY GOVERNED ORGANIZATIONS**

*North East Ohio Management Information Network (NEOMIN)* - NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Howland Local School District contributed \$40,692 to NEOMIN during fiscal year 2000.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Howland Local School District was represented on the Governing Board during fiscal year 2000. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2000, Howland Local School District contributed \$4,760. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

*North East Ohio Special Education Regional Resource Center (NEO/SERRC)* - NEOSERRC is a special education regional service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio, 44507.

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

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

*Vocational Compact* - The Vocational Compact is a jointly governed organization among the five school districts in Trumbull County to provide for the vocational and special education needs of the. The students of each participating school district may attend classes offered at the vocational facility. The five member advisory board consists of the superintendent from each of the participating school districts. Each school district's control is limited to its representation on the advisory board. Lordstown Local School District serves as the fiscal agent for this agreement, collecting payments. All revenues are generated from charges for services. Howland Local School District paid \$29,193 to the Vocational Compact for services during fiscal year 2000. Financial information can be obtained by contacting the Treasurer at the Lordstown Local School District, 1824 Salt Springs Road SW, Warren, OH 44481.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**18. INSURANCE PURCHASING POOL**

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

**19. INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2000, consist of the following interfund receivables and payables:

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

**20. NOTE DEBT**

The School District issued a \$565,000 Energy Conservation Improvement Note at 4.00% on July 28, 1998. A payment of \$56,500 was made during the current fiscal year, leaving a year end liability of \$508,500. Principal and interest requirements to retire the note at June 30, 2000, are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2001	\$56,500	\$23,493
2002	56,500	21,176
2003	56,500	18,803
2004	56,500	16,362
2005	56,500	13,848
2006-2009	226,000	28,554
<i>Total</i>	\$508,500	\$122,236

**21. SET-ASIDE CALCULATION AND FUND RESERVES**

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

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**21. SET-ASIDE CALCULATION AND FUND RESERVES - (Continued)**

	Budget Stabilization Reserve	Textbook/ Instructional Materials	Capital Improvements
Set-aside balance as of June 30, 1999	\$168,098	\$0	\$0
Current year set-aside requirement	171,462	514,386	514,386
Qualifying disbursements	0	(514,386)	(514,386)
Cash balance carried forward to FY 2001	<u>\$339,560</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts to zero. The total reserve balance for the three set-asides at the end of the fiscal year was \$339,560.

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HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster						
Food Distribution Program	10.550	N/A		\$31,941		\$32,272
National School Lunch Program	10.555	N/A	116,743		116,743	
Special Milk Program	10.556	N/A	1,781		1,781	
Total Nutrition Cluster/Total Department of Agriculture			<u>118,524</u>	<u>31,941</u>	<u>118,524</u>	<u>32,272</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
Title 1, Grants to Local Educational Agencies	84.010	C2-S1-99 C2-SI-00	142,948		57,925 80,799	
			<u>142,948</u>		<u>138,724</u>	
Special Education Cluster						
Special Education Grants to States	84.027	6B-SF-99P 6B-SF-00P	177,268		4,807 170,592	
			<u>177,268</u>		<u>175,399</u>	
Safe and Drug - Free Schools and Communities - State Grants	84.186	DR-S1-99 DR-S1-00	15,271		5,572 10,533	
			<u>15,271</u>		<u>16,105</u>	
Innovative Educational Program Strategies	84.298	C2-S1-98 C2-S1-99	19,736 2,641		13,249 11,430	
			<u>22,377</u>		<u>24,679</u>	
Virtual Middle School Grant	84.318	N/A	27,000		26,797	
			<u>27,000</u>		<u>26,797</u>	
Title VI - R	84.340	CR-S1-00	44,399		28,138	
			<u>44,399</u>		<u>28,138</u>	
<b>Total Receipts and Expenditures of Federal Awards</b>			<u><b>\$547,787</b></u>	<u><b>\$31,941</b></u>	<u><b>\$528,366</b></u>	<u><b>\$32,272</b></u>

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**FISCAL YEAR ENDED June 30, 2000**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had food commodities valued at \$5,266 in inventory.

**NOTE C-- MATCHING REQUIREMENTS**

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



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center  
242 Federal Plaza West, Suite 302  
Youngstown, Ohio 44503

Telephone 330-797-9900  
800-443-9271

Facsimile 330-797-9949

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

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

To the Board of Education:

We have audited the financial statements of Howland Local School District, Trumbull County, as of and for the year ended June 30, 2000, and have issued our report thereon dated December 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Howland Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Howland Local School District in a separate letter dated December 22, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Howland Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Howland Local School District in a separate letter dated December 22, 2000.

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

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

**Jim Petro**  
Auditor of State

December 22, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center  
242 Federal Plaza West, Suite 302  
Youngstown, Ohio 44503

Telephone 330-797-9900  
800-443-9271

Facsimile 330-797-9949

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Howland Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular a-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. Howland Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Howland Local School District's management. Our responsibility is to express an opinion on Howland Local School District's compliance based on our audit.

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

In our opinion, Howland Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000.

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

December 22, 2000

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2000**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	84.027 Title VI-B
<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**

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

**1. Title of Finding**

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







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
FEBRUARY 8, 2001**