



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**HOWLAND LOCAL SCHOOLS
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet – All Fund Types And Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non - GAAP Basis) - All Governmental Fund Types	10
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – All Proprietary Fund Types	14
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Budget and Actual (Non - GAAP Basis) - All Proprietary Fund Types	15
Combined Statement of Cash Flows - All Proprietary Fund Types	18
Notes to the Financial Statements	20
Schedule of Federal Awards Expenditures	43
Notes to the Schedule of Federal Awards Expenditures	44
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	45
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A - 133	47
Schedule of Findings	49

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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
www.auditor.state.oh.us

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, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Howland Local School District., Trumbull County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 16, 2002

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Howland Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,008,617	\$231,796	\$38,065	\$230,157
Receivables:				
Taxes	16,569,519	0	0	521,060
Accounts		507	0	0
Intergovernmental	0	0	0	0
Prepaid Items	49,538	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	45,435	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	168,098	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<i>Total Assets and Other Debits</i>	\$17,841,207	\$232,303	\$38,065	\$751,217

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$160,746	\$2,441,339	\$41,770	\$0	\$0	\$4,152,490
0	0	0	0	0	17,090,579
0	0	0	0	0	507
21,346	0	0	0	0	21,346
0	0	0	0	0	49,538
14,649	0	0	0	0	14,649
3,323	0	0	0	0	48,758
0	0	0	0	0	168,098
145,525	0	0	17,345,879	0	17,491,404
0	0	0	0	38,065	38,065
0	0	0	0	2,639,463	2,639,463
<u>\$345,589</u>	<u>\$2,441,339</u>	<u>\$41,770</u>	<u>\$17,345,879</u>	<u>\$2,677,528</u>	<u>\$41,714,897</u>

(continued)

Howland Local School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$42,038	\$26,239	\$0	\$0
Accrued Wages	2,142,962	55,665	0	0
Compensated Absences Payable	90,183	0	0	0
Intergovernmental Payable	420,557	9,734	0	0
Deferred Revenue	16,501,080	0	0	521,060
Due to Students	0	0	0	0
Accrued Interest Payable	0	0	0	11,997
Notes Payable	0	0	0	395,500
Claims Payable	0	0	0	0
Asbestos Removal Loan Payable	0	0	0	0
	<u>19,196,820</u>	<u>91,638</u>	<u>0</u>	<u>928,557</u>
<i>Total Liabilities</i>				
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	21,662	52,199	0	0
Reserved for Inventory	45,435	0	0	0
Reserved for Budget Stabilization	168,098	0	0	0
Reserved for Property Taxes	68,439	0	0	0
Unreserved: Undesignated (Deficit)	(1,659,247)	88,466	38,065	(177,340)
	<u>(1,355,613)</u>	<u>140,665</u>	<u>38,065</u>	<u>(177,340)</u>
<i>Total Fund Equity (Deficit) and Other Credits</i>	<u>(1,355,613)</u>	<u>140,665</u>	<u>38,065</u>	<u>(177,340)</u>
	<u>(1,355,613)</u>	<u>140,665</u>	<u>38,065</u>	<u>(177,340)</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$17,841,207</u>	<u>\$232,303</u>	<u>\$38,065</u>	<u>\$751,217</u>

See accompanying notes to general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$0	\$68,277
41,978	0	0	0	0	2,240,605
42,356	0	0	0	2,454,139	2,586,678
31,723	0	0	0	179,374	641,388
0	0	0	0	0	17,022,140
0	0	41,770	0	0	41,770
0	0	0	0	0	11,997
0	0	0	0	0	395,500
0	299,286	0	0	0	299,286
0	0	0	0	44,015	44,015
<u>116,057</u>	<u>299,286</u>	<u>41,770</u>	<u>0</u>	<u>2,677,528</u>	<u>23,351,656</u>
0	0	0	17,345,879	0	17,345,879
67,168	0	0	0	0	67,168
162,364	2,142,053	0	0	0	2,304,417
0	0	0	0	0	73,861
0	0	0	0	0	45,435
0	0	0	0	0	168,098
0	0	0	0	0	68,439
0	0	0	0	0	(1,710,056)
<u>229,532</u>	<u>2,142,053</u>	<u>0</u>	<u>17,345,879</u>	<u>0</u>	<u>18,363,241</u>
<u>\$345,589</u>	<u>\$2,441,339</u>	<u>\$41,770</u>	<u>\$17,345,879</u>	<u>\$2,677,528</u>	<u>\$41,714,897</u>

See accompanying notes to general purpose financial statements

Howland Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002*

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues			
Taxes	\$15,896,995	\$0	\$112,324
Intergovernmental	6,286,411	824,555	0
Interest	292,523	0	0
Tuition and Fees	282,006	0	0
Extracurricular Activities	0	112,148	0
Contributions and Donations	20,439	35,956	0
Charges for Services	0	100,115	0
Rentals	75	0	0
Miscellaneous	13,698	10,069	0
<i>Total Revenues</i>	<u>22,792,147</u>	<u>1,082,843</u>	<u>112,324</u>
Expenditures			
Current:			
Instruction:			
Regular	12,995,137	258,836	0
Special	1,756,362	193,725	0
Vocational	283,509	0	0
Support Services:			
Pupils	1,074,784	2,481	0
Instructional Staff	810,411	265,063	0
Board of Education	230,128	0	0
Administration	2,023,361	51,235	0
Fiscal	570,790	1,200	0
Business	98,729	0	0
Operation and Maintenance of Plant	2,527,437	0	0
Pupil Transportation	1,270,046	0	0
Central	27,991	0	0
Operation of Non-Instructional Services	142	187,220	0
Extracurricular Activities	489,277	112,057	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	108,458
Interest and Fiscal Charges	0	0	3,149
<i>Total Expenditures</i>	<u>24,158,104</u>	<u>1,071,817</u>	<u>111,607</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,365,957)	11,026	717
Other Financing Sources			
Sale of Fixed Assets	800	0	0
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	(1,365,157)	11,026	717
<i>Fund Balances (Deficit) Beginning of Year</i>	4,778	129,639	37,348
<i>Increase in Reserve for Inventory</i>	4,766	0	0
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,355,613)</u>	<u>\$140,665</u>	<u>\$38,065</u>

See accompanying notes to the general purpose financial statements

Capital Projects	Totals (Memorandum Only)
\$305,341	\$16,314,660
0	7,110,966
0	292,523
0	282,006
0	112,148
0	56,395
0	100,115
0	75
0	23,767
305,341	24,292,655
0	13,253,973
0	1,950,087
0	283,509
0	1,077,265
0	1,075,474
0	230,128
0	2,074,596
0	571,990
0	98,729
0	2,527,437
0	1,270,046
0	27,991
0	187,362
0	601,334
210,460	210,460
0	108,458
19,462	22,611
229,922	25,571,450
75,419	(1,278,795)
0	800
75,419	(1,277,995)
(252,759)	(80,994)
0	4,766
(\$177,340)	(\$1,354,223)

See accompanying notes to general purpose financial statement

Howland Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual*
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Taxes	\$16,175,000	\$15,877,876	(\$297,124)
Intergovernmental	5,912,811	6,289,411	376,600
Interest	400,000	292,523	(107,477)
Tuition and Fees	188,000	282,006	94,006
Extracurricular Activities	0	0	0
Contributions and Donations	16,035	20,439	4,404
Charges for Services	0	0	0
Rentals	1,000	75	(925)
Miscellaneous	8,000	14,501	6,501
<i>Total Revenues</i>	<u>22,700,846</u>	<u>22,776,831</u>	<u>75,985</u>
Expenditures			
Current:			
Instruction:			
Regular	12,882,232	12,842,760	39,472
Special	1,755,909	1,736,163	19,746
Vocational	279,860	279,532	328
Support Services:			
Pupils	1,118,024	1,071,786	46,238
Instructional Staff	779,688	762,257	17,431
Board of Education	241,082	236,020	5,062
Administration	2,054,683	2,033,326	21,357
Fiscal	608,695	573,845	34,850
Business	101,750	100,143	1,607
Operation and Maintenance of Plant	2,645,531	2,555,910	89,621
Pupil Transportation	1,423,340	1,284,580	138,760
Central	30,000	27,991	2,009
Operation of Non-Instructional Services	150	142	8
Extracurricular Activities	526,100	491,289	34,811
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>24,447,044</u>	<u>23,995,744</u>	<u>451,300</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,746,198)</u>	<u>(1,218,913)</u>	<u>527,285</u>
Other Financing Sources			
Sale of Fixed Assets	0	800	800
Advances In	0	1,200	1,200
<i>Total Other Financing Sources</i>	<u>0</u>	<u>2,000</u>	<u>2,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	<u>(1,746,198)</u>	<u>(1,216,913)</u>	<u>529,285</u>
<i>Fund Balances Beginning of Year</i>	2,099,597	2,099,597	0
Prior Year Encumbrances Appropriated	118,103	118,103	0
<i>Fund Balances End of Year</i>	<u>\$471,502</u>	<u>\$1,000,787</u>	<u>\$529,285</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$190,000	\$190,000	\$0
842,280	824,555	(17,725)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
110,000	112,148	2,148	0	0	0
22,459	35,956	13,497	0	0	0
96,200	100,115	3,915	0	0	0
0	0	0	0	0	0
7,000	9,562	2,562	0	0	0
<u>1,077,939</u>	<u>1,082,336</u>	<u>4,397</u>	<u>190,000</u>	<u>190,000</u>	<u>0</u>
324,765	302,143	22,622	0	0	0
255,579	185,771	69,808	0	0	0
0	0	0	0	0	0
2,892	2,846	46	0	0	0
289,397	267,322	22,075	0	0	0
0	0	0	0	0	0
54,693	53,368	1,325	0	0	0
1,200	1,200	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
276,872	243,320	33,552	0	0	0
116,931	116,660	271	0	0	0
0	0	0	0	0	0
0	0	0	200,000	164,958	35,042
0	0	0	27,000	24,325	2,675
<u>1,322,329</u>	<u>1,172,630</u>	<u>149,699</u>	<u>227,000</u>	<u>189,283</u>	<u>37,717</u>
<u>(244,390)</u>	<u>(90,294)</u>	<u>154,096</u>	<u>(37,000)</u>	<u>717</u>	<u>37,717</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(244,390)	(90,294)	154,096	(37,000)	717	37,717
176,628	176,628	0	37,348	37,348	0
88,748	88,748	0	0	0	0
<u>\$20,986</u>	<u>\$175,082</u>	<u>\$154,096</u>	<u>\$348</u>	<u>\$38,065</u>	<u>\$37,717</u>

(continued)

Howland Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2002*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$240,387	\$227,665	(\$12,722)
Intergovernmental	0	0	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Charges for Services	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>240,387</u>	<u>227,665</u>	<u>(12,722)</u>
Expenditures			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	448,690	246,460	202,230
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>448,690</u>	<u>246,460</u>	<u>202,230</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(208,303)</u>	<u>(18,795)</u>	<u>189,508</u>
Other Financing Sources			
Sale of Fixed Assets	0	0	0
Advances In	0	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	(208,303)	(18,795)	189,508
<i>Fund Balances Beginning of Year</i>	212,952	212,952	0
Prior Year Encumbrances Appropriated	36,000	36,000	0
<i>Fund Balances End of Year</i>	<u>\$40,649</u>	<u>\$230,157</u>	<u>\$189,508</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$16,605,387	\$16,295,541	(\$309,846)
6,755,091	7,113,966	358,875
400,000	292,523	(107,477)
188,000	282,006	94,006
110,000	112,148	2,148
38,494	56,395	17,901
96,200	100,115	3,915
1,000	75	(925)
15,000	24,063	9,063
<u>24,209,172</u>	<u>24,276,832</u>	<u>67,660</u>
13,206,997	13,144,903	62,094
2,011,488	1,921,934	89,554
279,860	279,532	328
1,120,916	1,074,632	46,284
1,069,085	1,029,579	39,506
241,082	236,020	5,062
2,109,376	2,086,694	22,682
609,895	575,045	34,850
101,750	100,143	1,607
2,645,531	2,555,910	89,621
1,423,340	1,284,580	138,760
30,000	27,991	2,009
277,022	243,462	33,560
643,031	607,949	35,082
448,690	246,460	202,230
200,000	164,958	35,042
27,000	24,325	2,675
<u>26,445,063</u>	<u>25,604,117</u>	<u>840,946</u>
<u>(2,235,891)</u>	<u>(1,327,285)</u>	<u>908,606</u>
0	800	800
<u>0</u>	<u>1,200</u>	<u>1,200</u>
<u>0</u>	<u>2,000</u>	<u>2,000</u>
(2,235,891)	(1,325,285)	910,606
2,526,525	2,526,525	0
<u>242,851</u>	<u>242,851</u>	<u>0</u>
<u>\$533,485</u>	<u>\$1,444,091</u>	<u>\$910,606</u>

Howland Local School District
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2002*

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues			
Sales	\$606,251	\$0	\$606,251
Charges for Services	0	2,409,390	2,409,390
<i>Total Operating Revenues</i>	<u>606,251</u>	<u>2,409,390</u>	<u>3,015,641</u>
Operating Expenses			
Salaries	317,710	0	317,710
Fringe Benefits	42,448	0	42,448
Purchased Services	2,791	215,338	218,129
Materials and Supplies	38,767	0	38,767
Cost of Sales	386,400	0	386,400
Depreciation	22,423	0	22,423
Claims	0	2,481,928	2,481,928
<i>Total Operating Expenses</i>	<u>810,539</u>	<u>2,697,266</u>	<u>3,507,805</u>
<i>Operating Loss</i>	<u>(204,288)</u>	<u>(287,876)</u>	<u>(492,164)</u>
Non-Operating Revenues (Expenses)			
Federal Donated Commodities	42,703	0	42,703
Interest	5,135	0	5,135
Operating Grants	157,540	0	157,540
<i>Total Non-Operating Revenues (Expenses)</i>	<u>205,378</u>	<u>0</u>	<u>205,378</u>
<i>Net Income (Loss)</i>	1,090	(287,876)	(286,786)
<i>Retained Earnings Beginning of Year (Restated - See Note 3)</i>	<u>161,274</u>	<u>2,429,929</u>	<u>2,591,203</u>
<i>Retained Earnings End of Year</i>	162,364	2,142,053	2,304,417
Contributed Capital Beginning and End of Year	<u>67,168</u>	<u>0</u>	<u>67,168</u>
<i>Retained Earnings End of Year</i>	<u>\$229,532</u>	<u>\$2,142,053</u>	<u>\$2,371,585</u>

See accompanying notes to the general purpose financial statements

Howland Local School District
Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$0	\$0	\$0
Sales	590,000	606,561	16,561
Interest	6,000	5,135	(865)
Operating Grants	126,000	155,758	29,758
	<u>722,000</u>	<u>767,454</u>	<u>45,454</u>
Expenses			
Salaries	292,600	284,122	8,478
Fringe Benefits	112,000	87,159	24,841
Purchased Services	4,000	2,791	1,209
Materials and Supplies	406,335	386,792	19,543
Capital Outlay	7,065	1,300	5,765
Other	0	0	0
	<u>822,000</u>	<u>762,164</u>	<u>59,836</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(100,000)	5,290	105,290
Advances Out	0	(1,200)	(1,200)
	<u>0</u>	<u>(1,200)</u>	<u>(1,200)</u>
<i>Excess of Revenues Over (Under) Expenses and Advances</i>	(100,000)	4,090	104,090
<i>Fund Equity Beginning of Year</i>	154,899	154,899	0
	<u>154,899</u>	<u>154,899</u>	<u>0</u>
<i>Fund Equity End of Year</i>	\$54,899	\$158,989	\$104,090
	<u>\$54,899</u>	<u>\$158,989</u>	<u>\$104,090</u>

(continued)

Howland Local School District
Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types (continued)
For the Fiscal Year Ended June 30, 2002

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$2,200,000	\$2,409,390	\$209,390
Sales	0	0	0
Interest	0	0	0
Operating Grants	0	0	0
	<u>2,200,000</u>	<u>2,409,390</u>	<u>209,390</u>
 Expenses			
Salaries	0	0	0
Fringe Benefits	0	0	0
Purchased Services	175,000	215,338	(40,338)
Materials and Supplies	0	0	0
Capital Outlay	0	0	0
Other	2,375,000	2,339,856	35,144
	<u>2,550,000</u>	<u>2,555,194</u>	<u>(5,194)</u>
 <i>Excess of Revenues Over (Under) Expenses</i>	 (350,000)	 (145,804)	 204,196
 Advances Out	 0	 0	 0
 <i>Excess of Revenues Over (Under)</i> <i>Expenses and Advances</i>	 (350,000)	 (145,804)	 204,196
 <i>Fund Equity Beginning of Year</i>	 2,587,143	 2,587,143	 0
 <i>Fund Equity End of Year</i>	 \$2,237,143	 \$2,441,339	 \$204,196

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,200,000	\$2,409,390	\$209,390
590,000	606,561	16,561
6,000	5,135	(865)
126,000	155,758	29,758
<u>2,922,000</u>	<u>3,176,844</u>	<u>254,844</u>
292,600	284,122	8,478
112,000	87,159	24,841
179,000	218,129	(39,129)
406,335	386,792	19,543
7,065	1,300	5,765
<u>2,375,000</u>	<u>2,339,856</u>	<u>35,144</u>
<u>3,372,000</u>	<u>3,317,358</u>	<u>54,642</u>
(450,000)	(140,514)	309,486
<u>0</u>	<u>(1,200)</u>	<u>(1,200)</u>
(450,000)	(141,714)	308,286
<u>2,742,042</u>	<u>2,742,042</u>	<u>0</u>
<u><u>\$2,292,042</u></u>	<u><u>\$2,600,328</u></u>	<u><u>\$308,286</u></u>

Howland Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2002

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$606,561	\$0	\$606,561
Cash Received from Quasi-External Transactions with Other Funds	0	2,409,390	2,409,390
Cash Payments to Suppliers for Goods and Services	(389,583)	(215,338)	(604,921)
Cash Payments to Employees for Services	(284,122)	0	(284,122)
Cash Payments for Employee Benefits	(88,692)	0	(88,692)
Cash Payments for Claims	0	(2,339,856)	(2,339,856)
<i>Net Cash Used for Operating Activities</i>	<u>(155,836)</u>	<u>(145,804)</u>	<u>(301,640)</u>
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	155,758	0	155,758
Advances Out	(1,200)	0	(1,200)
<i>Net Cash Provided by Noncapital Financing Activities</i>	154,558	0	154,558
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(1,300)	0	(1,300)
Cash Flows from Investing Activities			
Interest on Investments	5,135	0	5,135
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	2,557	(145,804)	(143,247)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>158,189</u>	<u>2,587,143</u>	<u>2,745,332</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$160,746</u>	<u>\$2,441,339</u>	<u>\$2,602,085</u>

(continued)

Howland Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types (continued)
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
<i>Operating Loss</i>	(\$204,288)	(\$287,876)	(\$492,164)
<i>Adjustments:</i>			
Depreciation	22,423	0	22,423
Donated Commodities Used During Year	35,726	0	35,726
<i>Decrease in Assets:</i>			
Accounts Receivable	310	0	310
Inventory Held for Resale	2,427	0	2,427
Materials and Supplies Inventory	222	0	222
<i>Increase/(Decrease) in Liabilities:</i>			
Accrued Wages and Benefits	(2,027)	0	(2,027)
Compensated Absences Payable	(5,211)	0	(5,211)
Intergovernmental Payable	(5,418)	0	(5,418)
Claims Payable	0	142,072	142,072
<i>Total Adjustments</i>	48,452	142,072	190,524
<i>Net Cash Used for Operating Activities</i>	(\$155,836)	(\$145,804)	(\$301,640)

Noncash Noncapital Financing Activities

Federal Donated Commodities in the amount of \$42,703 were recorded as revenue when received in the food service enterprise fund.

See accompanying notes to the general purpose financial statements

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 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 federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 165 non-certificated and 234 full-time teaching personnel and administrative employees who provide services to 3,426 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 613 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).

Reporting Entity

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 and related activities. 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. This activity is reflected in a special revenue fund for financial reporting purposes.

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.

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The School District participates in one insurance purchasing pool and five jointly governed organizations. These organizations are the Ohio School Boards Association Workers' Compensation Group Rating Plan, the North East Ohio Management Information Network, the Northeast Ohio Instructional Media Center, the North East Ohio Special Education Regional Resource Center, the Region 12 Professional Development Center and the Vocational Compact. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

Note 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.

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.

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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.

B. Measurement Focus and Basis of Accounting

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

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

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

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

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

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

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level without resolution by the Board of Education.

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 estimated 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 statements come from the certificate of amended resources that was in effect at the time the final appropriations were passed by the Board of Education.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

The Board may pass supplemental fund appropriations so long as the total appropriation by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations passed by the Board during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 fiscal 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 fiscal 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.

During fiscal year 2002, investments were limited to repurchase agreements, which are reported at cost, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

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 2002 amounted to \$292,523, which includes \$81,067 assigned from other School District funds.

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

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for budget stabilization. See Note 20 for additional information regarding set-asides.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

that it does not constitute available expendable 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, 2002, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

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

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

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

I. Interfund Assets and 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". Short-term interfund loans are classified as "interfund receivables/payables".

J. 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.

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

For governmental funds, these amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Contributed Capital

Contributed capital in the proprietary funds represents resources received prior to fiscal year 2001, from other funds, other governments and private sources to enterprise funds that are not subject to repayment. After fiscal year 2001, capital contributions received were reported as revenue in the operating statement and included in retained earnings.

L. Accrued Liabilities and Long-term Obligations

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

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

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

M. Interfund Transactions

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

N. Fund Balance Reserves and Designations

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

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 set-aside to protect against cyclical changes in revenues and expenditures.

O. Estimates

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

P. Totals Columns on General Purpose Financial Statements

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

Note 3 - Restatement of Fund Equity

During the current fiscal year it was determined that fixed assets should be restated, causing enterprise funds retained earnings to be restated from \$244,240 to \$161,274 and general fixed assets to be restated from \$20,038,077 to \$16,912,765 at June 30, 2002.

Note 4 - Fund Deficits and Legal Compliance

A. Fund Deficits

Fund balance at June 30, 2002, included the following individual fund deficits:

<i>General Fund</i>	\$1,355,613
<i>Special Revenue Funds:</i>	
Title VI-B	4,103
Virtual Middle School	161
<i>Capital Projects Fund:</i>	
House Bill 264	407,497

The deficit in the general fund resulted from the conversion to generally accepted accounting principals and adjustments for accrued liabilities. The School District is aware of the deficit and began collecting revenues in the second half of fiscal year 2002, from a 3.4 mill renewal levy which will bring an additional \$2,000,000 per year to the School District.

The deficits in the special revenue funds resulted from accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The deficit in the House Bill 264 capital projects fund arose from 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, the deficit will be eliminated.

B. Legal Compliance

The auxiliary services special revenue fund had total appropriations in excess of estimated resources plus carryover balances in the amount of \$2,358, which is in violation of Section 5705.39, Ohio Revised Code.

Note 5 - Budgetary Basis of Accounting

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

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

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

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$1,365,157)	\$11,026	\$717	\$75,419
Revenue Accruals	(15,316)	(507)	(227,665)	227,665
Advances In	1,200	0	0	0
Revenue for Debt Repayment	0	0	305,341	(305,341)
Expenditure Accruals	187,641	(45,888)	0	(37,714)
Principal Retirement	0	0	(56,500)	0
Interest and Fiscal Charges	0	0	(21,176)	21,176
Encumbrances	(25,281)	(54,925)	0	0
Budget Basis	(\$1,216,913)	(\$90,294)	\$717	(\$18,795)

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

	Enterprise	Internal Service
GAAP Basis	\$1,090	(\$287,876)
Revenue Accruals	(6,865)	0
Expense Accruals	(9,774)	142,072
Advances Out	(1,200)	0
Donated Commodities	(1,584)	0
Depreciation Expense	22,423	0
Budget Basis	\$4,090	(\$145,804)

Note 6 - Deposits and Investments

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

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

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

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

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 (STAROhio); and
7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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."

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 (\$105,831) and the bank balance was \$30,000. The entire bank balance was covered by federal depository insurance.

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 Value	Fair Value
Repurchase Agreements	\$2,133,110	\$2,133,110	\$2,133,110
STAROhio		2,288,959	2,288,959
Total Investments		\$4,422,069	\$4,422,069

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."

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

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$4,320,588	\$0
Cash on Hand	(4,350)	0
Investments of the Cash Management Pool:		
Repurchase Agreement	(2,133,110)	2,133,110
STAROhio	(2,288,959)	2,288,959
<i>GASB Statement No. 3</i>	(\$105,831)	\$4,422,069

Note 7 - Property Taxes

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

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 2002 for real and public utility property taxes represents collections of calendar year 2001 taxes. Property tax payments received during calendar year 2002 for tangible personal property (other than public utility property) are for calendar year 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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. 2002 public utility taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the values as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed value upon which fiscal year 2002 taxes were collected are:

	2001 Second - Half Collections		2002 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$446,501,260	76.36%	\$456,243,610	77.68%
Public Utility Personal	14,027,160	2.40	10,530,830	1.80
Tangible Personal Property	124,174,025	21.24	120,508,262	20.52
Total Assessed Value	<u>\$584,702,445</u>	<u>100.00%</u>	<u>\$587,282,702</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.80		\$38.75	

The School District passed a 1.0 mill permanent improvement levy on November 6, 2001. The collection on this levy began in the second half of fiscal year 2002.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits late payment 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, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 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, 2002 for which there is an enforceable legal claim. 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

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance in the general fund at June 30, 2002, was \$68,439 and is recognized as revenue.

Note 8 - Receivables

Receivables at June 30, 2002 consisted of property taxes, accounts (rent, billings for user charged services, and tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Intergovernmental receivables consisted of \$21,346 in the food service enterprise fund for federal and state subsidies.

Note 9 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

	Totals
Furniture and Equipment	\$410,656
Less Accumulated Depreciation	(265,131)
Net Fixed Assets	\$145,525

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance 6/30/01	Additions	Deletions	Balance 6/30/02
Land and Improvements	\$1,703,943	\$275,024	\$0	\$1,978,967
Buildings and Improvements	9,957,329	106,694	0	10,064,023
Furniture and Equipment	3,316,799	243,026	191,630	3,368,195
Vehicles	1,934,694	0	0	1,934,694
Totals	\$16,912,765	\$624,744	\$191,630	\$17,345,879

There was no significant construction in progress at June 30, 2002.

Note 10 - Risk Management

A. Property and Liability

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

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Type of Coverage	Amount
Property Insurance (\$1,000 deductible)	replacement cost
Professional Liability	\$3,000,000 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 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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, Benefit Services, located in Akron, Ohio, reviews all claims which are then paid by the School District. The School District purchases stop-loss coverage of \$75,000 per individual. The School District pays into the insurance reserve internal service fund \$688 for family coverage or \$270.25 for individual coverage per month which represents the entire premium required for medical/surgical coverage. The premium for dental coverage is \$88 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 \$299,286 reported in the internal service fund at June 30, 2002, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 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.

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2001	\$131,013	\$1,804,482	\$1,778,281	\$157,214
2002	157,214	2,481,928	2,339,856	299,286

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School's rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.20 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$183,385, \$133,882, and \$160,752, respectively; 63.89 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$66,213 represents the unpaid contribution for fiscal year 2002, 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, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. 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, 2002, 2001 and 2000 were \$1,119,631,

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

\$1,062,143, and \$645,492, respectively; 84.01 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$179,061 representing the unpaid contribution for fiscal year 2002, 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, 2002, four Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$530,351 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a 1.26 percent decrease from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$286,833.

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

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. Compensated Absences

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

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

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 is provided through the Canada Life Insurance Company.

Note 14 - Long-Term Obligations

The long-term obligations activity of the School District for the fiscal year ended June 30, 2002, was as follows:

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
1997 \$883,997 Asbestos Removal Loan, 0%	\$77,473	\$0	\$33,458	\$44,015
1999 \$225,000 Classroom Acquisition Bond, 4%	75,000	0	75,000	0
Intergovernmental Payable	178,583	179,374	178,583	179,374
Compensated Absences	2,307,150	146,989	0	2,454,139
<i>Total General Long-Term Obligations</i>	<u>\$2,638,206</u>	<u>\$326,363</u>	<u>\$287,041</u>	<u>\$2,677,528</u>

The Asbestos Removal Loan will be paid from the debt service fund. The intergovernmental payable liability represents pension contributions paid outside the available period and will be paid from the fund from which the person is paid. Compensated absences will be paid from the fund from which the person is paid.

The School District's overall legal debt margin was \$53,256,893 with an unvoted debt margin of \$587,283 at June 30, 2002.

Principal requirements to retire the interest-free asbestos loan outstanding at June 30, 2002 amounted to \$44,015. Payments in the amount of \$33,458 and \$10,557 are due in fiscal year 2003 and 2004 respectively.

Note 15 - Contingencies

Grants The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

Note 16 - Note Debt

The School District issued a \$565,000 Energy Conservation Improvement Note at 4.00 percent on July 28, 1998. A payment of \$56,500 was made during the current fiscal year, leaving a year end liability of \$395,500. Principal and interest requirements to retire the note at June 30, 2002, are as follows:

Fiscal year Ending June 30	Principal	Interest
2003	\$56,500	\$18,803
2004	56,500	16,362
2005	56,500	13,848
2006	56,500	11,249
2007	56,500	8,565
2008-2009	113,000	8,741
<i>Total</i>	<u>\$395,500</u>	<u>\$77,568</u>

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 17 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program - 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.

Note 18 - Jointly Governed Organizations

North East Ohio Management Information Network (NEOMIN) - NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Howland Local School District contributed \$48,990 to NEOMIN during fiscal year 2002.

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 2002. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

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

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2002, Howland Local School District contributed \$4,850. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

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

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NEO/SERRC is governed by a board of 39 members made up of representatives from 35 participating districts, one non-public school, and the county board of mental retardation, and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105, Youngstown, Ohio, 44512-7019.

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

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

Vocational Compact - The Vocational Compact is a jointly governed organization among the five school districts in Trumbull County to provide for the vocational and special education needs of the students. The students of each participating school district may attend classes offered at the vocational facility. The five member advisory board consists of the superintendent from each of the participating school districts. Each school district's control is limited to its representation on the advisory board. Lordstown Local School District serves as the fiscal agent for this agreement, collecting payments. All revenues are generated from charges for services. Howland Local School District paid \$381,001 to the Vocational Compact for services during fiscal year 2002. Financial information can be obtained by contacting the Treasurer at the Lordstown Local School District, 1824 Salt Springs Road SW, Warren, OH 44481.

Note 19 - 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, 2002.

	Lunchroom	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$580,883	\$25,368	\$606,251
Depreciation Expense	22,423	0	22,423
Operating Income (Loss)	(207,718)	3,430	(204,288)
Donated Commodities	42,703	0	42,703
Operating Grants	157,540	0	157,540
Net Income (Loss)	(2,340)	3,430	1,090
Net Working Capital	123,146	3,217	126,363
Total Assets	342,372	3,217	345,589
Total Equity	226,315	3,217	229,532

Howland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 20 - 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2001	(\$7,272)	\$0	\$168,098
Current Year Set-Aside Requirement	407,515	407,515	0
Qualifying Disbursements	(543,550)	(412,914)	0
Totals	<u>(\$143,307)</u>	<u>(\$5,399)</u>	<u>\$168,098</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$143,307)</u>	<u>\$0</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$168,098</u>

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$168,098.

Note 21 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio' current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State Funding and its financial operations.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster						
Food Distribution Program	10.550	N/A		\$37,908		\$35,726
National School Lunch Program	10.555	N/A	147,012		147,012	
Special Milk Program	10.556	N/A	<u>3,065</u>		<u>3,065</u>	
Total Nutrition Cluster/Total Department of Agriculture			<u>150,077</u>	<u>37,908</u>	<u>150,077</u>	<u>35,726</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed through the Ohio Department of Education</i>						
Title 1, Grants to Local Educational Agencies						
	84.010	C1-S1-01			52,015	
		C1-S1-02	<u>138,040</u>		<u>103,576</u>	
			138,040		155,591	
Special Education Cluster						
Special Education Grants to States	84.027	6B-SA-02P	43,800		4,307	
		6B-SF-01			28,443	
		6B-SF-02P	<u>226,615</u>		<u>237,095</u>	
			270,415		269,845	
Safe and Drug - Free Schools and Communities - State Grants						
	84.186	DR-S1-01			3,147	
		DR-S1-02	<u>13,529</u>		<u>12,761</u>	
			13,529		15,908	
Innovative Educational Program Strategies						
	84.298	C2-S1-01			17,709	
		C2-S1-02	<u>18,831</u>		<u>17,709</u>	
			18,831		17,709	
Title VI - R						
	84.340	CR-S1-02	<u>58,945</u>		<u>57,590</u>	
			58,945		57,590	
Eisenhower						
	84.281	MS-S1-2001	1,167		1,167	
		MS-S1-2002	<u>14,246</u>		<u>14,246</u>	
			15,413		15,413	
Assistive Technology Infusion Project						
	84.352	AT-S1-02	<u>1,718</u>		<u>1,718</u>	
			1,718		1,718	
Total Receipts and Expenditures of Federal Awards			<u>\$666,968</u>	<u>\$37,908</u>	<u>\$683,851</u>	<u>\$35,726</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**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

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, 2002, the District had food commodities valued at \$ 7,162 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
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the financial statements of Howland Local School District, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 16, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Howland Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Howland Local School District in a separate letter dated December 16, 2002.

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 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 16, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 16, 2002



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
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACORDANCE 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 financial statements 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, 2002. Howland Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Howland Local School District's management. Our responsibility is to express an opinion on Howland Local School District's compliance based on our audit.

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

In our opinion, Howland Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

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 do not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 16, 2002

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

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title IV B CFDA # 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
(Continued)**

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
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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

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
JANUARY 7, 2003**