

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

***FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
June 30, 2001***

**DONALD BREON, TREASURER**





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Board of Education  
Huron City School District  
712 Cleveland Road East  
Huron, Ohio 44839-1871

We have reviewed the independent auditor's report of the Huron City School District, Erie County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Ohio Administrative Code section 117-2-03(B) requires the School District's financial statements to be prepared in accordance with accounting principles generally accepted in the United States (GAAP). However the School District did not prepare their financial statements in accordance with GAAP. Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the School District in a Fiscal Caution Status. This status requires the School District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Huron City School District is responsible for compliance with these laws and regulations.

JIM PETRO  
Auditor of State

December 14, 2001

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**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

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# TRIMBLE, JULIAN & GRUBE, INC.

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## Independent Auditor's Report

Board of Education  
Huron City School District  
712 Cleveland Road East  
Huron, Ohio 44839-1871

We have audited the accompanying financial statements of the Huron City School District, Erie County, (the "District") as of and for the fiscal year ended June 30, 2001. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *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 the 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.

Ohio Administrative Code §117-2-01 requires the District to prepare its financial report in accordance with accounting principles generally accepted in the United States of America. However, as described in Note 1, the District prepares its financial report on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the Huron City School District, as of June 30, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

Independent Auditor's Report  
Huron City School District  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

This report is intended solely for the information and use of the management, Board of Huron City School District, Erie County, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.  
October 30, 2001



**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

COMBINED STATEMENT OF FUND BALANCES  
ALL FUND TYPES - CASH BASIS  
JUNE 30, 2001

<u>Cash and Investments</u>	<u>2001</u>
Cash	\$ (141,649)
Investments	<u>1,632,817</u>
Total Cash	<u>\$ 1,491,168</u>
<u>Fund Balances</u>	
<u>Governmental Funds:</u>	
General Fund	\$ 1,141,303
Special Revenue Funds	163,485
Debt Service Fund	53,241
Capital Projects Funds	<u>47,625</u>
Total Governmental Funds	<u>1,405,654</u>
<u>Proprietary Fund:</u>	
Enterprise Fund	<u>6,739</u>
<u>Fiduciary Funds:</u>	
Expendable Trust Funds	46,364
Agency Funds	<u>32,411</u>
Total Fiduciary Funds	<u>78,775</u>
Total Fund Balances	<u>\$ 1,491,168</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH FUND  
BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash receipts:						
From local sources:						
Taxes	\$ 6,978,945		\$ 519,550	\$ 408,556		\$ 7,907,051
Earnings on investments	121,859	\$ 3,190			\$ 2,061	127,110
Rent	121,912					121,912
Extracurricular activities		137,687			4,775	142,462
Contributions					12,524	12,524
Other local revenue	80,884	31,360				112,244
Intergovernmental - Intermediate		30,000			4,000	34,000
Intergovernmental - State	2,943,920	293,326	53,924	76,167		3,367,337
Intergovernmental - Federal		233,940				233,940
<b>Total cash receipts</b>	<u>10,247,520</u>	<u>729,503</u>	<u>573,474</u>	<u>484,723</u>	<u>23,360</u>	<u>12,058,580</u>
Cash disbursements:						
Current:						
Instruction:						
Regular	4,884,530	94,383		128,410	4,499	5,111,822
Special	1,123,438	128,741				1,252,179
Other	30,340	50,931				81,271
Support Services:						
Pupil	429,046	51,243				480,289
Instructional staff	370,487	61,336				431,823
Board of Education	14,111					14,111
Administration	1,021,307	30,020				1,051,327
Fiscal services	292,031	50	596	6,468		299,145
Business	58,143					58,143
Operations and maintenance	1,213,215	9,494		521,930		1,744,639
Pupil transportation	605,825	693				606,518
Central		24,669				24,669
Community services	34,215	104,027			7,800	146,042
Extracurricular activities	278,501	189,639				468,140
Debt service:						
Principal retirement	70,000		65,000			135,000
Interest and fiscal charges	16,065		226,149			242,214
<b>Total cash disbursements</b>	<u>10,441,254</u>	<u>745,226</u>	<u>291,745</u>	<u>656,808</u>	<u>12,299</u>	<u>12,147,332</u>
<b>Total cash receipts over/ (under) cash disbursements</b>	<u>(193,734)</u>	<u>(15,723)</u>	<u>281,729</u>	<u>(172,085)</u>	<u>11,061</u>	<u>(88,752)</u>
Other financing receipts/(disbursements):						
Passthrough payments to library			(208,640)			(208,640)
Refund of prior year expenditures	17,992	1,810				19,802
Refund of prior year receipts		(5)	(23,680)			(23,685)
Sale of assets	3,900					3,900
<b>Total other financing receipts/(disbursement)</b>	<u>21,892</u>	<u>1,805</u>	<u>(232,320)</u>			<u>(208,623)</u>
<b>Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements</b>	<u>(171,842)</u>	<u>(13,918)</u>	<u>49,409</u>	<u>(172,085)</u>	<u>11,061</u>	<u>(297,375)</u>
Cash fund balances, July 1, 2000	<u>1,313,145</u>	<u>177,403</u>	<u>3,832</u>	<u>219,710</u>	<u>35,303</u>	<u>1,749,393</u>
Cash fund balances, June 30, 2001	<u>\$ 1,141,303</u>	<u>\$ 163,485</u>	<u>\$ 53,241</u>	<u>\$ 47,625</u>	<u>\$ 46,364</u>	<u>\$ 1,452,018</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Agency	(Memorandum Only)
Operating cash receipts:			
Sales/charges for services	\$ 354,909		\$ 354,909
Total operating cash receipts	354,909		354,909
Operating cash disbursements:			
Personal services	136,545		136,545
Employees' retirement and insurance	82,313		82,313
Purchased services	17,445		17,445
Supplies and material	209,987		209,987
Other	700		700
Total operating cash disbursements	446,990		446,990
Operating loss	(92,081)		(92,081)
Nonoperating cash receipts:			
Operating grants	18,201		18,201
Federal commodities	66,315		66,315
Earnings on investments	437		437
Extracurricular activities revenue		\$ 103,712	103,712
Extracurricular activities expenditures		(102,421)	(102,421)
Miscellaneous	460		460
Total nonoperating cash receipts	85,413	1,291	86,704
Excess of receipts over/(under) disbursements	(6,668)	1,291	(5,377)
Cash fund balances, July 1, 2000	13,407	31,120	44,527
Cash fund balances, June 30, 2001	\$ 6,739	\$ 32,411	\$ 39,150

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Fund Types	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	Fiscal Year 2001 Budget	Total Estimated Resources	Actual 2001 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	Fiscal Year 2001 Appropriations	Total		Actual 2001 Disbursements	Encumbrances Outstanding at 6/30/01	Total
<b>Governmental:</b>												
General	\$ 1,040,384	\$ 10,256,335	\$ 11,296,719	\$ 10,269,412	\$ (1,027,307)	\$ 272,761	\$ 10,790,504	\$ 11,063,265	\$ 10,441,254	\$ 118,582	\$ 10,559,836	\$ 503,429
Special Revenue	162,856	732,413	895,269	731,313	(163,956)	14,543	869,254	883,797	745,231	76,726	821,957	61,840
Debt Service	3,832	573,471	577,303	573,474	(3,829)		575,568	575,568	524,065		524,065	51,503
Capital Projects	62,158	478,220	540,378	484,723	(55,655)	157,553	540,376	697,929	656,808	33,590	690,398	7,531
<b>Proprietary:</b>												
Enterprise	13,109	440,138	453,247	440,322	(12,925)	298	449,218	449,516	446,990	79	447,069	2,447
<b>Fiduciary:</b>												
Expendable Trust	34,716	23,239	57,955	23,360	(34,595)	587	57,955	58,542	12,299	363	12,662	45,880
Agency	30,096	103,657	133,753	103,712	(30,041)	1,024	131,448	132,472	102,421	3,899	106,320	26,152
<b>Total</b>	<b>\$ 1,347,151</b>	<b>\$ 12,607,473</b>	<b>\$ 13,954,624</b>	<b>\$ 12,626,316</b>	<b>\$ (1,328,308)</b>	<b>\$ 446,766</b>	<b>\$ 13,414,323</b>	<b>\$ 13,861,089</b>	<b>\$ 12,929,068</b>	<b>\$ 233,239</b>	<b>\$ 13,162,307</b>	<b>\$ 698,782</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Huron City School District (the "District") is a city school district as defined by §3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to the residents of the District.

The District operates 3 instructional facilities staffed by 66 classified employees and 113 certified teaching personnel who provide educational services to 1,592 students from grades K through 12. The District ranks as the 351<sup>st</sup> largest by total enrollment among the 682 public and community school districts in the State.

**B. Reporting Entity**

The reporting entity consists of the primary government and entities which are not legally separate from the primary government. The District is a primary government and constitutes the entire reporting entity.

Huron Public Library

The District is not involved in budgeting or management of the Huron Public Library facilities, nor does it subsidize or finance the operation of the library. The selection of directors and budget approval is conducted merely to comply with state code requirements.

**C. Funds Reported**

**General Fund:** The general fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

**Special Revenue Funds:** Special revenue funds account for the proceeds of specific revenue sources (other than Capital Projects or trust funds) that are legally restricted to expenditures for specified purposes.

**Debt Service Fund:** The debt service fund is used to accumulate resources for the payment of indebtedness.

**Capital Projects Funds:** Capital Projects funds account for financial resources to be used for the acquisition or construction of major capital facilities.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Enterprise Fund:** The Enterprise fund accounts for operations which are financed and operated in a manner similar to private business enterprises and for which the District intends to support a material portion of the operating costs with user charges.

**Expendable Trust Funds:** Expendable trust funds account for assets held in trust where both principal and interest can be spent.

**Agency Funds:** Agency funds are used to account for custodial funds held by the District acting as the agent for another government, organization, individual, or fund.

**D. Basis of Accounting**

Ohio Administrative Code §117-2-01 requires the District to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America. The District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The District recognizes receipts when cash is received rather than when earned and recognizes disbursements when cash is paid rather than when a liability is incurred. Budgetary presentation reports budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosures of material matters, as formerly prescribed or permitted by the Auditor of State.

**E. Budgetary Process**

**1. Budget**

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 appropriation 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 legal level of budgetary control is at the fund level. All budgetary modifications at this level may only be made by resolution of the Board of Education.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**2. 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 County Budget Commission for rate determination.

**3. Estimated Resources**

By 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 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 District Treasurer.

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001 and do not include the unencumbered fund balances as of July 1, 2000. However, those fund balances are available for appropriations.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**4. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**5. 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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control.

**6. Lapsing of Appropriations**

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



**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 2 - CASH AND INVESTMENTS**

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

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

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

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

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

State statute permits interim monies to 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;

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 2 - CASH AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

During fiscal year 2001, the District's investments were limited to overnight repurchase agreements, certificates of deposit and STAR Ohio. During the fiscal year, all investments of the District had a maturity of two years or less. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 2 - CASH AND INVESTMENTS - (Continued)**

The carrying amount of cash and investments at June 30, 2001 was as follows:

Deposits:	
Demand deposits	\$ (141,169)
Investments:	
STAR Ohio	1,476,046
Repurchase Agreement	<u>156,771</u>
Total investments	<u>1,632,817</u>
 Total deposits and investments	 <u>\$1,491,168</u>

**A. Deposits**

At year end, the carrying amount of the District's deposits was \$(141,169) as shown above and the bank balance was \$21,223. Of the bank balance, \$21,223 was covered by federal depository insurance. Due to the "zero-balance" nature of the District's bank accounts, there was no actual overdraft.

**B. Investments**

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Investments are usually categorized into three categories of credit risk:

Category 1: Securities held by the District or its agent in the District's name.

Category 2: Securities held by the counter party's trust department or agency in the District's name.

Category 3: Securities held by the counter party, or by its trust department or agent but not in the District's name.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 2 - CASH AND INVESTMENTS - (Continued)**

The District's investment in STAR Ohio, an investment pool operation by the State Treasurer of Ohio, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category of Risk</u> 3	<u>Fair Value</u>	<u>Market Value</u>
Repurchase Agreements	\$156,771	\$ 156,771	\$ 156,771
STAR Ohio	_____	<u>1,476,046</u>	<u>1,476,046</u>
Total Investments	<u>\$156,771</u>	<u>\$1,632,817</u>	<u>\$1,632,817</u>

**NOTE 3 - COMPLIANCE**

The following funds had expenditures plus encumbrances in excess of appropriations for the year ended June 30, 2001, in noncompliance with Ohio Revised Code Section 5705.41(B):

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>Special Revenue Fund</u>			
Venture Capital	\$25,000	\$26,692	\$(1,692)
Title VI-B	99,646	107,526	(7,880)
Preschool Handicapped	9,417	9,466	(49)
Library Services	24,443	27,216	(2,773)

**NOTE 4 - DEBT SERVICE**

Debt outstanding at June 30, 2001, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2000</u>	<u>Issued in 2001</u>	<u>Retired in 2001</u>	<u>Outstanding June 30, 2001</u>
Public Library Improvement G.O. Bonds	3.65%	12/01/25	\$4,300,000	\$ 0	\$ 65,000	\$4,235,000
Energy Conservation Notes	5.10%	12/04/04	<u>350,000</u>	<u>0</u>	<u>70,000</u>	<u>280,000</u>
Total			<u>\$4,650,000</u>	<u>\$ 0</u>	<u>\$135,000</u>	<u>\$4,515,000</u>

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 4 - DEBT SERVICE - (Continued)**

During fiscal year 1999 a levy was passed in the District's name for the local library. Ohio law does not allow local libraries to issue debt or levy taxes in their name. The bonds and the levy were placed in the name of Huron City School District by resolution of the District's Board of Education. The current obligation bond outstanding was issued to provide funds for the improvement and construction of equipment and facilities, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The source of payment is derived from a current bonded debt levy.

The Energy Conservation Notes were issued May 1998 to provide funds to refinance the outstanding principal of the Energy Conservation Notes issued June 1995. The original notes were issued to pay costs of installations, modifications and remodeling of school buildings to conserve energy, under authority of and pursuant to the laws of the State of Ohio, particularly §3313.372, Ohio Revised Code, the approval of the State Department of Education, and a resolution adopted by the Board of Education. The original notes were refinanced to take advantage of reduced interest rates since the original issue.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 175,000	\$ 231,228	\$ 406,228
2003	175,000	223,301	398,301
2004	180,000	215,118	395,118
2005	185,000	206,586	391,586
2006	120,000	199,478	319,478
2007 - 2011	439,989	1,164,764	1,604,753
2012 - 2016	810,000	784,376	1,594,376
2017 - 2021	1,055,000	537,414	1,592,414
2022 - 2026	<u>1,375,011</u>	<u>201,796</u>	<u>1,576,807</u>
Total	<u>\$4,515,000</u>	<u>\$3,764,061</u>	<u>\$8,279,061</u>

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 5- PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, are levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. 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 District receives property taxes from Erie County. The County Auditor periodically advances to the District its portion of the taxes collected.

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the District.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 4.2 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District has paid all contributions required through June 30, 2001.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District has paid all contributions required through June 30, 2001.

**NOTE 7 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the 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 funded on a pay-as-you-go basis.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 7 - POSTEMPLOYMENT BENEFITS - (Continued)**

The State Teachers Retirement 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$234,529 during fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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.

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. 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 annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$123,551 during the 2001 fiscal year.



**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 8 - RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

**NOTE 9 - PUBLIC ENTITY RISK POOLS**

**A. Worker's Compensation**

The District participates in the Ohio School Boards Association (OSBA) 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/her 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.

**B. Health Benefits**

The Huron-Erie School Employees Insurance Association (the Association) is a shared risk pool, with participants from Erie and Huron Counties. The Association is governed by an assembly which consists of one representative from each participant. The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Association. All Association revenues are generated from charges for services. Financial information can be obtained by writing to The Erie-Huron-Ottawa County Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**NOTE 10 - STATE SCHOOL FUNDING DECISION**

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

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

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

**NOTE 10 - STATE SCHOOL FUNDING DECISION - (Continued)**

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 30, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

**NOTE 11- STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$(107,056)	\$ 0	\$ 206,382
Current year set-aside requirement	258,777	258,777	---
Elimination of budget stabilization reserve	---	---	(206,382)
Qualifying disbursements	<u>(295,195)</u>	<u>(898,399)</u>	<u>---</u>
Total	<u>\$ (143,474)</u>	<u>\$ (639,622)</u>	<u>\$ 0</u>
Cash balance carried forward to FY 2002	<u>\$ 143,474</u>	<u>\$ 0</u>	<u>\$ 0</u>

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 11- STATUTORY RESERVES - (Continued)**

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refunds	<u>\$ 53,706</u>
Total restricted assets	<u>\$ 53,706</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies representing BWC refunds that were received prior to April 10, 2001, are restricted assets in the general fund since allowable expenditures are restricted by State statute.

The District had offsets and qualifying disbursements during the year that reduced the textbooks set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future years.

Although the District also had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**NOTE 12 - LITIGATION**

The District is not involved in material litigation as either plaintiff or defendant.

**HURON CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A	\$66,315		\$66,315	
(A) (C) National School Lunch Program	10.555	N/A		\$33,439		\$33,298
<b>Total Nutrition Cluster and Total U. S. Department of Agriculture</b>			<u>66,315</u>	<u>33,439</u>	<u>66,315</u>	<u>33,298</u>
<b>U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I - Local Educational Agencies	84.010	044131-C1-S1-00	0		7,357	
Title I - Local Educational Agencies	84.010	044131-C1-S1-01	80,542		69,413	
Total Title I			<u>80,542</u>		<u>76,770</u>	
<b>Special Education Cluster:</b>						
(D) Title VI-B Education of the Handicapped Act	84.027	044131-6B-SF-99P	0		10,474	
(D) Title VI-B Education of the Handicapped Act	84.027	044131-6B-SF-00P	98,943		96,963	
Total Title VI-B			<u>98,943</u>		<u>107,437</u>	
(D) Special Education Preschool	84.173	044131-PG-S1-99P	0		50	
(D) Special Education Preschool	84.173	044131-PG-S1-00P	9,417		9,417	
Total Special Education Preschool			<u>9,417</u>		<u>9,467</u>	
<b>Total Special Education Cluster</b>			<u>108,360</u>		<u>116,904</u>	
Safe and Drug-Free Schools Grants	84.186	044131-DR-S1-01	6,578		6,578	
Eisenhower Professional Development Grant	84.281	044131-MS-S1-01	5,230		5,230	
Innovative Education Program Strategies - Title VI	84.298	044131-C2-S1-00	1,126		1,126	
Innovative Education Program Strategies - Title VI	84.298	044131-C2-S1-99C	0		969	
Innovative Education Program Strategies - Title VI	84.298	044131-C2-S1-01	8,686		7,850	
Total Title VI			<u>9,812</u>		<u>9,945</u>	
Title VI-R Classroom Size Reduction Grant	84.340	044131-CR-S1-00	0		3,798	
Title VI-R Classroom Size Reduction Grant	84.340	044131-CR-S1-01	23,418		23,418	
Total Title VI-R			<u>23,418</u>		<u>27,216</u>	
<b>PASSED THROUGH THE ERIE-HURON-OTTAWA EDUCATIONAL SERVICE CENTER:</b>						
Safe and Drug-Free Schools Grants	84.186	N/A	5		5	
Eisenhower Professional Development Grant	84.281	N/A	4,438		4,438	
<b>Total U. S. Department of Education</b>			<u>238,383</u>		<u>247,086</u>	
<b>Total Federal Financial Assistance</b>			<u>\$304,698</u>	<u>\$33,439</u>	<u>\$313,401</u>	<u>\$33,298</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Special Education Grant Cluster" in determining major programs.
- (E) This schedule was prepared on the cash basis of accounting.

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards***

Board of Education  
Huron City School District  
712 Cleveland Road East  
Huron, Ohio 44839-1871

We have audited the financial statements of Huron City School District as of and for the year ended June 30, 2001, and have issued our report thereon dated October 30, 2001. For the fiscal year ended June 30, 2001, Huron City School District prepared its financial report on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America and is non-compliant with Ohio Administrative Code Section 117-2-06. 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 Huron City 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-44131-001 and 2001-44131-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of Huron City School District in a separate letter dated October 30, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Huron City 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Huron City School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-44131-001 and 2001-44131-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses. We also 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 Huron City School District in a separate letter dated October 30, 2001.

For the fiscal year ended June 30, 2001, Huron City School District prepared its financial report on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America and is non-compliant with Ohio Administrative Code Section 117-2-06.

This report is intended for the information and use of the management and Board of Education of Huron City School District, Erie County, 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.

Trimble, Julian & Grube, Inc.  
October 30, 2001

# TRIMBLE, JULIAN & GRUBE, INC.

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## **Report On Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With *OMB CIRCULAR A-133***

Board of Education  
Huron City School District  
712 Cleveland Road East  
Huron, Ohio 44839-1871

### Compliance

We have audited the compliance of Huron City 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 its major federal programs for the year ended June 30, 2001. Huron City School District's major federal programs are 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 programs is the responsibility of Huron City School District's management. Our responsibility is to express an opinion on Huron City 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, Audit 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 Huron City 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 Huron City School District's compliance with those requirements.

In our opinion, Huron City School District's complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001.

Board of Education  
Huron City School District

Internal Control Over Compliance

The management of Huron City 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 Huron City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

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

For the fiscal year ended June 30, 2001, Huron City School District prepared its financial report on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America and is non-compliant with Ohio Administrative Code Section 117-2-06.

This report is intended for the information and use of management, the Board of Education of Huron City School District, 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.

Trimble, Julian & Grube, Inc.  
October 30, 2001



**HURON CITY SCHOOL DISTRICT  
 ERIE COUNTY  
 JUNE 30, 2001**

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

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

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

**HURON CITY SCHOOL DISTRICT  
 ERIE COUNTY  
 JUNE 30, 2001**

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

**1. SUMMARY OF AUDITOR'S RESULTS (Continued)**

<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title I, CFDA; #84.010; Special Education Cluster: Title VI-B - Education of the Handicapped Act CFDA #84.027; Special Education - Preschool Grants, CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

Finding Number	2001-44131-001
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Ohio Administrative Code §117-2-01 requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as described in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements omit assets, liabilities, and fund equities, and disclosures that, while material, cannot be determined at this time. The General Purpose Financial Statements provide the reader with more in depth financial information and analysis. The District can be fined and various other administrative remedies may be taken against the District.

We recommend that the District file their financial report in accordance with GAAP.

The District understands this requirement but feels they do not have the resources to convert to GAAP.

**HURON CITY SCHOOL DISTRICT  
 ERIE COUNTY  
 JUNE 30, 2001**

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

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

Finding Number	2001-44131-002
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Ohio Revised Code Section 5705.41 (B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances in excess of appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>Special Revenue Fund</u>			
Venture Capital	\$25,000	\$26,692	\$(1,692)
Title VI-B	99,646	107,526	(7,880)
Preschool Handicapped	9,417	9,466	(49)
Library Services	24,443	27,216	(2,773)

With expenditures plus encumbrances exceeding appropriations, the District is unlawfully expending monies that have not been approved.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS**

<b><u>NONCOMPLIANCE</u></b>	<b><u>STATUS</u></b>	<b><u>EXPLANATION IF NOT FULLY IMPLEMENTED</u></b>
Section 117-2-01, Administrative Code, requiring financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). (2000-44131-001)	Not Corrected	The District is aware of this requirement but feels this process is not cost effective at present.
Section 5705.39, Revised Code, requiring the total appropriations from each fund to not exceed total estimated revenues plus available balances. (2000-44131-002)	Corrected	N/A



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**HURON CITY SCHOOL DISTRICT**

**ERIE 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  
DECEMBER 27, 2001**