



**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

SINGLE AUDIT

FOR YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances –Budget and Actual - All Governmental Fund Types	10
Combined Statement of Revenues, Expenditures and Changes in Fund Equity - All Proprietary Fund Types	13
Combined Statement of Revenues, Expenditures and Changes in Fund Equity - Budget and Actual - All Proprietary Fund Types	14
Combined Statement of Cash Flows - All Proprietary Fund Types	15
Notes to the Financial Statements	17
Schedule of Federal Awards Receipts and Expenditures	47
Notes to the Schedule of Federal Awards Receipts and Expenditures	48
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	49
Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133	51
Schedule of Findings	53
Schedule of Prior Audit Findings	56

THIS PAGE INTENTIONALLY LEFT BLANK



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

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Huntington Local School District
Ross County
188 Huntsman Road
Chillicothe, Ohio 43113

We have audited the accompanying general-purpose financial statements of the Huntington Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2001, 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 Huntington Local School District, Ross County, Ohio as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 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.

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 receipts and 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.

JIM PETRO
Auditor of State

November 15, 2001

This Page Intentionally Left Blank

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR YEAR ENDED JUNE 30, 2001**

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,030,772	\$257,947	\$147,746	\$965,353
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	0
Receivables:				
Taxes	754,220	17,693	120,308	0
Accounts	1,766	60	0	0
Accrued Interest	4,388	0	0	0
Intergovernmental	0	128,411	0	29,828
Prepaid Items	12,165	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	30,513	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	35,901	0	0	0
Cash and Cash Equivalents with Escrow Agents	0	0	0	13,473
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 Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$3,869,725	\$404,111	\$268,054	\$1,008,654

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$195,128	\$0	\$29,731	\$0	\$0	\$4,626,677
0	53,985	0	0	0	53,985
0	0	0	0	0	892,221
969	0	0	0	0	2,795
0	0	0	0	0	4,388
0	297,419	0	0	0	455,658
0	0	0	0	0	12,165
6,919	0	0	0	0	6,919
664	0	0	0	0	31,177
0	0	0	0	0	35,901
0	0	0	0	0	13,473
19,888	0	0	19,986,593	0	20,006,481
0	0	0	0	156,475	156,475
0	0	0	0	1,603,074	1,603,074
<u>\$223,568</u>	<u>\$351,404</u>	<u>\$29,731</u>	<u>\$19,986,593</u>	<u>\$1,759,549</u>	<u>\$27,901,389</u>

(Continued)

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR YEAR ENDED JUNE 30, 2001
(Continued)**

GOVERNMENTAL FUND TYPES

	General	Special Revenue	Debt Service	Capital Projects
Liabilities,				
Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$15,182	\$14,862	\$0	\$18,000
Contracts Payable	0	0	0	4,950
Retainage Payable	0	0	0	13,473
Accrued Wages and Benefits	580,693	98,813	0	0
Compensated Absences Payable	13,645	0	0	0
Intergovernmental Payable	136,845	7,428	0	29,828
Deferred Revenue	702,870	30,666	111,579	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	1,449,235	151,769	111,579	66,251
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	73,072	24,288	0	79,874
Reserved for Inventory	30,513	0	0	0
Reserved for Property Taxes	51,350	1,284	8,729	0
Reserved for Budget Stabilization	35,901	0	0	0
Unreserved:				
Designated for Budget Stabilization	143,239	0	0	0
Undesignated	2,086,415	226,770	147,746	862,529
Total Fund Equity and Other Credits	2,420,490	252,342	156,475	942,403
Total Liabilities, Fund Equity and Other Credits	\$3,869,725	\$404,111	\$268,054	\$1,008,654

See accompanying notes to the 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	
\$2,090	\$0	\$0	\$0	\$0	\$50,134
0	0	0	0	0	4,950
0	0	0	0	0	13,473
25,924	0	0	0	0	705,430
2,510	0	0	0	417,762	433,917
10,752	0	0	0	63,022	247,875
5,291	0	0	0	0	850,406
0	0	29,731	0	0	29,731
0	178,785	0	0	0	178,785
0	0	0	0	88,765	88,765
0	0	0	0	1,190,000	1,190,000
<u>46,567</u>	<u>178,785</u>	<u>29,731</u>	<u>0</u>	<u>1,759,549</u>	<u>3,793,466</u>
0	0	0	19,986,593	0	19,986,593
4,372	0	0	0	0	4,372
172,629	172,619	0	0	0	345,248
0	0	0	0	0	177,234
0	0	0	0	0	30,513
0	0	0	0	0	61,363
0	0	0	0	0	35,901
0	0	0	0	0	143,239
0	0	0	0	0	3,323,460
<u>177,001</u>	<u>172,619</u>	<u>0</u>	<u>19,986,593</u>	<u>0</u>	<u>24,107,923</u>
<u>\$223,568</u>	<u>\$351,404</u>	<u>\$29,731</u>	<u>\$19,986,593</u>	<u>\$1,759,549</u>	<u>\$27,901,389</u>

This Page Intentionally Left Blank

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR YEAR ENDED JUNE 30, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
Revenues:						
Property Taxes	\$708,263	\$16,453	\$111,881	\$0	\$0	\$836,597
Intergovernmental	6,320,946	1,039,088	15,165	1,043,365	0	8,418,564
Interest	191,329	0	0	12,645	0	203,974
Tuition and Fees	18,571	0	0	0	0	18,571
Rent	90	0	0	0	0	90
Extracurricular Activities	27,346	133,262	0	0	0	160,608
Gifts and Donations	0	1,035	0	0	0	1,035
Miscellaneous	320,827	14,060	0	116,212	0	451,099
Total Revenues	<u>7,587,372</u>	<u>1,203,898</u>	<u>127,046</u>	<u>1,172,222</u>	<u>0</u>	<u>10,090,538</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,541,465	507,613	0	161,683	0	4,210,761
Special	483,826	378,154	0	0	0	861,980
Vocational	32,528	5,482	0	0	0	38,010
Other	44,646	0	0	0	0	44,646
Support Services:						
Pupils	201,568	4,746	0	0	0	206,314
Instructional Staff	171,099	456	0	0	0	171,555
Board of Education	19,558	0	0	0	0	19,558
Administration	540,111	5,067	0	0	0	545,178
Fiscal	334,641	4,662	2,900	0	0	342,203
Operation and Maintenance of Plant	832,763	21,093	0	60	0	853,916
Pupil Transportation	560,602	0	0	0	0	560,602
Extracurricular Activities	129,505	127,242	0	0	0	256,747
Capital Outlay	63,419	322	0	686,742	0	750,483
Debt Service:						
Principal Retirement	17,365	0	50,000	0	0	67,365
Interest and Fiscal Charges	5,243	0	65,410	0	0	70,653
Total Expenditures	<u>6,978,339</u>	<u>1,054,837</u>	<u>118,310</u>	<u>848,485</u>	<u>0</u>	<u>8,999,971</u>
Excess of Revenues Over Expenditures	<u>609,033</u>	<u>149,061</u>	<u>8,736</u>	<u>323,737</u>	<u>0</u>	<u>1,090,567</u>
Other Financing Sources (Uses):						
Inception of Capital Lease	63,419	0	0	0	0	63,419
Operating Transfers In	6,974	16,660	5,000	18,282	0	46,916
Operating Transfers Out	(713,125)	(924)	0	(6,050)	(2,305)	(722,404)
Total Other Financing Sources (Uses)	<u>(642,732)</u>	<u>15,736</u>	<u>5,000</u>	<u>12,232</u>	<u>(2,305)</u>	<u>(612,069)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(33,699)</u>	<u>164,797</u>	<u>13,736</u>	<u>335,969</u>	<u>(2,305)</u>	<u>478,498</u>
Fund Balances at Beginning of Year - Restated (Note 21)	<u>2,439,911</u>	<u>87,545</u>	<u>142,739</u>	<u>606,434</u>	<u>2,305</u>	<u>3,278,934</u>
	<u>14,278</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,278</u>
Fund Balances at End of Year	<u>\$2,420,490</u>	<u>\$252,342</u>	<u>\$156,475</u>	<u>\$942,403</u>	<u>\$0</u>	<u>\$3,771,710</u>

See accompanying notes to the general purpose financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR YEAR ENDED JUNE 30, 2001**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$724,657	\$724,657	\$0	\$16,863	\$16,863	\$0
Intergovernmental	6,320,946	6,320,946	0	1,615,570	954,635	(660,935)
Interest	181,239	186,941	5,702	0	0	0
Tuition and Fees	19,420	19,420	0	0	0	0
Rent	90	90	0	0	0	0
Extracurricular Activities	27,271	27,346	75	135,022	133,420	(1,602)
Gifts and Donations	0	0	0	578	1,035	457
Miscellaneous	346,782	349,472	2,690	8,635	14,000	5,365
Total Revenues	7,620,405	7,628,872	8,467	1,776,668	1,119,953	(656,715)
Expenditures:						
Current:						
Instruction:						
Regular	3,987,172	3,621,220	365,952	584,050	529,600	54,450
Special	467,526	460,321	7,205	458,714	390,481	68,233
Vocational	34,706	28,759	5,947	9,000	8,246	754
Other	45,202	45,202	0	0	0	0
Support Services:						
Pupils	203,647	190,919	12,728	35,995	4,766	31,229
Instructional Staff	192,950	166,419	26,531	588	456	132
Board of Education	25,656	19,438	6,218	0	0	0
Administration	557,359	542,332	15,027	5,864	5,151	713
Fiscal	394,579	334,180	60,399	8,076	4,662	3,414
Operation and Maintenance of Plant	850,757	825,102	25,655	18,340	22,803	(4,463)
Pupil Transportation	514,753	560,386	(45,633)	41	0	41
Extracurricular Activities	129,710	129,415	295	91,740	131,578	(39,838)
Capital Outlay	0	0	0	1,000	322	678
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	7,404,017	6,923,693	480,324	1,213,408	1,098,065	115,343
Excess of Revenues Over (Under) Expenditures	216,388	705,179	488,791	563,260	21,888	(541,372)
Other Financing Sources (Uses):						
Operating Transfers In	6,974	6,974	0	13,928	16,660	2,732
Operating Transfers Out	(713,193)	(713,193)	0	0	(924)	(924)
Other Financing Uses	(185,302)	0	185,302	0	0	0
Total Other Financing Sources (Uses)	(891,521)	(706,219)	185,302	13,928	15,736	1,808
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(675,133)	(1,040)	674,093	577,188	37,624	(539,564)
Fund Balances at Beginning of Year	2,732,787	2,732,787	0	177,929	177,929	0
Prior Year Encumbrances Appropriated	244,513	244,513	0	3,274	3,274	0
Fund Balances at End of Year	\$2,302,167	\$2,976,260	\$674,093	\$758,391	\$218,827	(\$539,564)

See accompanying notes to the general purpose financial statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS			EXPENDABLE TRUST FUND		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$114,668	\$114,668	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1,640	15,165	13,525	973,910	972,910	(1,000)	0	0	0
0	0	0	12,370	12,645	275	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	0	0
0	0	0	0	0	0	0	0	0
0	0	0	116,212	116,212	0	0	0	0
<u>116,308</u>	<u>129,833</u>	<u>13,525</u>	<u>1,102,492</u>	<u>1,101,767</u>	<u>(725)</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	164,950	133,215	31,735	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	0	0
0	0	0	0	0	0	0	0	0
5,000	2,900	2,100	0	0	0	0	0	0
0	0	0	1,320	60	1,260	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	663,466	880,161	(216,695)	0	0	0
50,000	50,000	0	0	0	0	0	0	0
65,410	65,410	0	0	0	0	0	0	0
<u>120,410</u>	<u>118,310</u>	<u>2,100</u>	<u>829,736</u>	<u>1,013,436</u>	<u>(183,700)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(4,102)</u>	<u>11,523</u>	<u>15,625</u>	<u>272,756</u>	<u>88,331</u>	<u>(184,425)</u>	<u>0</u>	<u>0</u>	<u>0</u>
5,000	5,000	0	18,282	18,282	0	0	0	0
0	0	0	0	(6,050)	(6,050)	(2,305)	(2,305)	0
0	0	0	0	0	0	0	0	0
<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>18,282</u>	<u>12,232</u>	<u>(6,050)</u>	<u>(2,305)</u>	<u>(2,305)</u>	<u>0</u>
898	16,523	15,625	291,038	100,563	(190,475)	(2,305)	(2,305)	0
131,223	131,223	0	707,408	707,408	0	2,305	2,305	0
0	0	0	41,919	41,919	0	0	0	0
<u>\$132,121</u>	<u>\$147,746</u>	<u>\$15,625</u>	<u>\$1,040,365</u>	<u>\$849,890</u>	<u>(\$190,475)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

This Page Intentionally Left Blank

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues:			
Sales	\$144,061	\$0	\$144,061
Charges for Services	0	702,368	702,368
Total Operating Revenues	<u>144,061</u>	<u>702,368</u>	<u>846,429</u>
Operating Expenses:			
Salaries	122,784	0	122,784
Fringe Benefits	31,272	0	31,272
Purchased Services	5,845	69,909	75,754
Materials and Supplies	591	0	591
Cost of Sales	154,192	0	154,192
Depreciation	1,864	0	1,864
Claims	0	1,291,128	1,291,128
Total Operating Expenses	<u>316,548</u>	<u>1,361,037</u>	<u>1,677,585</u>
Operating Loss	<u>(172,487)</u>	<u>(658,669)</u>	<u>(831,156)</u>
Non-Operating Revenues:			
Federal and State Subsidies	158,417	0	158,417
Federal Donated Commodities	28,553	0	28,553
Interest	4,048	0	4,048
<i>Total Non-Operating Revenues</i>	<u>191,018</u>	<u>0</u>	<u>191,018</u>
Income (Loss) Before Operating Transfers	18,531	(658,669)	(640,138)
Operating Transfers In	<u>0</u>	<u>675,488</u>	<u>675,488</u>
Net Income	18,531	16,819	35,350
Retained Earnings at Beginning of Year	<u>154,098</u>	<u>155,800</u>	<u>309,898</u>
Retained Earnings at End of Year	172,629	172,619	345,248
Contributed Capital at Beginning and End of Year	<u>4,372</u>	<u>0</u>	<u>4,372</u>
Total Fund Equity at End of Year	<u><u>\$177,001</u></u>	<u><u>\$172,619</u></u>	<u><u>\$349,620</u></u>

See accompanying notes to the general purpose financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>ENTERPRISE FUND</u>			<u>INTERNAL SERVICE FUND</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Sales	\$144,114	\$144,114	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	34,172	34,172	0
Interest	3,972	4,048	76	0	0	0
Federal and State Subsidies	158,417	158,417	0	0	0	0
Total Revenues	<u>306,503</u>	<u>306,579</u>	<u>76</u>	<u>34,172</u>	<u>34,172</u>	<u>0</u>
Expenses:						
Salaries	126,285	120,866	5,419	0	0	0
Fringe Benefits	35,712	29,103	6,609	648,182	712,086	(63,904)
Purchased Services	11,000	3,986	7,014	0	0	0
Materials and Supplies	155,000	123,338	31,662	0	0	0
Capital Outlay	6,798	6,798	0	0	0	0
Total Expenses	<u>334,795</u>	<u>284,091</u>	<u>50,704</u>	<u>648,182</u>	<u>712,086</u>	<u>(63,904)</u>
Excess of Revenues Over (Under) Expenses	(28,292)	22,488	50,780	(614,010)	(677,914)	(63,904)
Operating Transfers-In	0	0	0	675,488	675,488	0
Excess of Revenues Over (Under) Expenses and Transfers	(28,292)	22,488	50,780	61,478	(2,426)	(63,904)
Fund Equity at Beginning of Year	167,982	167,982	0	1,245	1,245	0
Prior Year Encumbrances Appropriated	2,409	2,409	0	1,181	1,181	0
Fund Equity at End of Year	<u>\$142,099</u>	<u>\$192,879</u>	<u>\$50,780</u>	<u>\$63,904</u>	<u>\$0</u>	<u>(\$63,904)</u>

See accompanying notes to the general purpose financial statements

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR YEAR ENDED JUNE 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$144,114	\$0	\$144,114
Cash Received from Quasi-External Transactions with Other Funds	0	702,368	702,368
Cash Payments to Suppliers for Goods and Services	(129,874)	(69,909)	(199,783)
Cash Payments to Employees for Services	(120,866)	0	(120,866)
Cash Payments for Employee Benefits	(29,103)	0	(29,103)
Cash Payments for Claims	0	(1,262,712)	(1,262,712)
	(135,729)	(630,253)	(765,982)
Net Cash Used for Operating Activities			
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	158,417	0	158,417
Operating Transfers	0	675,488	675,488
Short-Term Loans to Other Governments	0	(21,172)	(21,172)
	158,417	654,316	812,733
Net Cash provided by Noncapital Financing Activities			
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(1,999)	0	(1,999)
	(1,999)	0	(1,999)
Cash Flows from Investing Activities:			
Interest	4,048	0	4,048
	4,048	0	4,048
Net Increase in Cash and Cash Equivalents	24,737	24,063	48,800
Cash and Cash Equivalents at Beginning of Year	170,391	29,922	200,313
	170,391	29,922	200,313
Cash and Cash Equivalents at End of Year	\$195,128	\$53,985	\$249,113
	\$195,128	\$53,985	\$249,113
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	(\$172,486)	(\$658,668)	(\$831,154)
	(\$172,486)	(\$658,668)	(\$831,154)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities			
Depreciation	1,864	0	1,864
Donated Commodities Used During Year	28,553	0	28,553
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	52	0	52
Decrease in Intergovernmental Receivable	316	0	316
Increase in Inventory Held for Resale	(14)	0	(14)
Increase in Materials and Supplies Inventory	(120)	0	(120)
Increase in Accounts Payable	2,017	0	2,017
Increase in Accrued Wages and Benefits	4,698	0	4,698
Increase in Compensated Absences Payable	384	0	384
Decrease in Intergovernmental Payable	(993)	0	(993)
Decrease in Claims Payable	0	28,415	28,415
	36,757	28,415	65,172
Total Adjustments			
Net Cash Used for Operating Activities	(\$135,729)	(\$630,253)	(\$765,982)
	(\$135,729)	(\$630,253)	(\$765,982)

See accompanying notes to the general purpose financial statements

This Page Intentionally Left Blank

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Huntington Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1931 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 52 square miles. It is located in Ross County, and includes Huntington Township. It is staffed by 49 non-certificated employees, 87 certificated full-time teaching personnel, and 5 administrative employees who provide services to 1,351 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements 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 Huntington Local School District, this includes general operations, food service, and student related activities of the School District.

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- ▶ Parent Teacher Organization
- ▶ Ross County Educational Service Center

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a claims servicing pool. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Joint Vocational School, the Great Seal Education Network of Tomorrow, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ross County School Employees Insurance Consortium. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Huntington Local 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 on 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 restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable 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 and trust 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 used to account for the proceeds of specific revenue sources (other than expendable trust or 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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Governmental Fund Types (Continued)

Capital Projects Funds - The 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 or trust funds).

Proprietary Fund Types:

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 Fund - The enterprise fund is used to account for School District activities 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 - The internal service 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 fiduciary funds are expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental 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 or trust 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 or trust funds.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District had no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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 6.) 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, accounts, grants, and interest.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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, 2001, but which were levied to finance fiscal year 2002 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.

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.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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 Self-Insurance Internal Service fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is budgeted within the funds paying medical premiums. The primary level of budgetary control is at the fund level. Any budgetary modification at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$68 to an agency fund from the general fund.

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 or existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ross County Budget Commission for rate determination.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County 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 reflect the amounts in the final amended certificate issued during fiscal year 2001.

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 is 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 expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation 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. During the year, three supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

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, all 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 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 2001, investments were limited to repurchase agreements and certificates of deposit. Nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. During fiscal year 2001, the School District held retainage monies for the construction of school additions. The retainage monies and the balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2001 is presented as "Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$191,329 which includes \$54,542 assigned from other School District funds. The capital projects fund and enterprise fund also received interest revenue of \$12,645 and \$4,048 respectively.

For purposes of the statement of cash flows and for presentation on 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.

E. Inventory

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. 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. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of fifteen years.

H. 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. 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 vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after twenty years of current service with the School District. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. 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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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, compensated absences and contractually required pension contributions 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 available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

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

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and 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.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set aside by the School District for creation of a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

L. Fund Balance Reserves and Designation

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, and budget stabilization. A fund designation has been established for budget stabilization monies that are in excess of refunds received by the Bureau of Workers' Compensation.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

M. Estimates

The preparation of 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.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

O. Total 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.

3. **ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

At June 30, 2001, the Disadvantaged Pupil Impact Aid Special Revenue Fund had a deficit fund balance of \$38,933, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

The following fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001.

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Fund:			
Miscellaneous Trust Funds	\$87	\$3,381	(\$3,294)

The following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2001.

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue Funds:			
Miscellaneous Trust Funds	\$2,100	\$2,647	(\$547)
Classroom Facilities Maintenance	16,000	19,786	(3,786)
Athletics Account	91,740	131,578	(39,838)
Disadvantaged Pupil Impact Aid	260,322	313,553	(53,231)
Ohio Reads Grant	36,955	37,045	(90)
Capital Projects Fund:			
Classroom Facilities	663,466	886,211	(222,745)
Internal Service Fund	648,181	712,085	(63,904)

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/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 and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - 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).

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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 disclosure in the proprietary fund type (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. The School District does not budget for the activities of the fiscal agent who collects and holds assets for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$33,699)	\$164,797	\$13,736	\$335,969	(\$2,305)
Revenue Accruals	41,500	(83,945)	2,787	(70,455)	0
Expenditure Accruals	145,059	(4,108)	0	(49,489)	0
Inception of Capital Lease	(63,419)	0	0	0	0
Transfers	(68)	0	0	0	0
Encumbrances	(90,413)	(39,120)	0	(115,462)	0
Budget Basis	<u>(\$1,040)</u>	<u>\$37,624</u>	<u>\$16,523</u>	<u>\$100,563</u>	<u>(\$2,305)</u>

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Enterprise	Internal Service
GAAP Basis	\$18,531	\$16,819
Revenue Accruals	(28,500)	0
Expense Accruals	34,841	28,416
Depreciation Expense	1,864	0
Capital Outlay	(1,999)	0
Non-Budgeted Activity	0	(47,661)
Encumbrances	(2,249)	0
Budget Basis	\$22,488	(\$2,426)

5. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that 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 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 monies deposited with the institution.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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) 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 eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests 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 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.

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"*.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$2,298,036 and the bank balance was \$2,319,142. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,219,142 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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 fiscal 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 which are held by the counter party'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 counter party, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying and Fair Value
Repurchase Agreements	\$2,432,000	\$2,432,000

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable 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 of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$4,730,036	\$0
Investments:		
Repurchase Agreement	(2,432,000)	2,432,000
<i>GASB Statement No. 3</i>	\$2,298,036	\$2,432,000

6. PROPERTY TAXES

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

6. PROPERTY TAXES (Continued)

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 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. 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 assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$30,322,800	89.04%	\$33,283,320	89.89%
Public Utility	3,311,310	9.72%	3,274,580	8.84%
Tangible Personal Property	<u>421,600</u>	<u>1.24%</u>	<u>469,040</u>	<u>1.27%</u>
Total Assessed Value	<u>\$34,055,710</u>	<u>100.00%</u>	<u>\$37,026,940</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.40		\$32.40	

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

6. PROPERTY TAXES (Continued)

The School District receives property taxes from Ross 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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and 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 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was \$51,350 in the General Fund, \$1,284 in the Classroom Facilities Maintenance Special Revenue Fund, and \$8,729 in the Debt Service Fund.

7. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes and accounts (tuition and student fees), interest, and intergovernmental grants. The Self-Insurance Internal Service Fund intergovernmental receivables consists of claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the School District. 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.

A summary of the principal items of intergovernmental receivables follows:

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

7. RECEIVABLES (Continued)

	Amount
Special Revenue Funds:	
Eisenhower Grant	\$821
Title VI-B	10,278
Title I	82,467
Title VI	3,203
Drug Free Schools	580
Performance Incentive	11,619
Miscellaneous Federal Grants	19,443
Total Special Revenue Funds	128,411
Capital Projects Fund:	
Interactive Video Distance Learning	29,828
Internal Service Fund:	
Short-Term Loans to Other Governments	297,419
Total All Funds	\$455,658

8. FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$93,268
Less Accumulated Depreciation	(73,380)
Net Fixed Assets	\$19,888

A summary of the changes in general fixed assets during fiscal year 2001 follows:

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

8. FIXED ASSETS (Continued)

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$318,371	\$0	\$0	\$318,371
Buildings and Improvements	8,588,562	108,729	0	8,697,291
Furniture, Fixtures and Equipment	1,207,559	165,887	40,517	1,332,929
Vehicles	783,992	170,900	0	954,892
Construction in Progress	8,475,824	207,286	0	8,683,110
Total General Fixed Assets	<u>\$19,374,308</u>	<u>\$652,802</u>	<u>\$40,517</u>	<u>\$19,986,593</u>

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for fleet insurance, the Earley Agency for building and contents coverage, and the Harcum Agency for liability insurance. Coverages provided are as follows:

Building and Contents-replacement cost (\$250 deductible)	\$22,910,073
Inland Marine Coverage (\$250 deductible)	110,000
Automobile Liability (\$250 deductible)	300,000
Uninsured Motorists (\$250 deductible)	300,000
General Liability - Per occurrence	1,000,000
General Liability - Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been a significant change in coverage from the prior year due to the addition of a new building.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

9. RISK MANAGEMENT (Continued)

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$178,785 reported in the internal service fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues"*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2000	\$119,096	\$486,472	\$455,199	\$150,369
2001	150,369	1,291,128	1,262,712	178,785

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. 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 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 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 contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$38,439, \$35,634, and \$57,678, respectively; 40 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$22,950 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2001, 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. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. 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, 2001, 2000, and 1999 were \$417,002, \$230,118, and \$190,450, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$65,984 represents the unpaid contribution for fiscal year 2001 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, 2001, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. 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, 2001, 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 \$197,527 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$108,646.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, 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.

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining 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 and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum limit of days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 54 days for classified employees and 45 days for certified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through SAFECO.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

12. EMPLOYEE BENEFITS (Continued)

C. Special Termination Benefit

The Board of Education approved an Special Termination Benefit program. All individuals with 30 years or more of STRS retirement credit shall be eligible for a one-time \$10,000 severance bonus. For the bonus to be collected, an individual's retirement must be completed no later than August 1 following the school year in which the individual first becomes eligible. The individual must submit a written notification to the Superintendent by March 1 in order to receive the incentive. During fiscal year 2001, two employees took advantage of this incentive.

D. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

13. CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2001, and in prior years, the School District entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$116,002. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$17,365 in the governmental funds. The School District entered into a new lease prior to the full retirement of the old lease. Therefore, the balance of \$16,807 remaining on the old lease was eliminated on the financial statements upon entering into the new lease.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

13. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Fiscal Year Ending June 30,	GLTDAG
2002	\$27,664
2003	27,664
2004	23,021
2005	15,124
2006	10,636
Total	104,109
Less: Amount Representing Interest	(15,344)
Present Value of Net Minimum Lease Payments	\$88,765

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
School Improvement Bond 1989 6.40%	\$185,000	\$0	\$20,000	\$165,000
School Improvement Bond 1998 5.15%	1,055,000	0	30,000	1,025,000
Total Long-Term Bonds	1,240,000	0	50,000	1,190,000
Capital Leases	59,518	63,419	34,172	88,765
Pension Obligation	54,894	63,022	54,894	63,022
Compensated Absences	364,230	53,532	0	417,762
Total General Long-Term Obligations	\$1,718,642	\$179,973	\$139,066	\$1,759,549

The 1989 School Improvement bonds were issued in the amount of \$310,000 on July 1, 1989 as a result of the School District being approved for a \$4,066,928 school facilities loan through the State Department of Education for the construction of a new building. The 1998 School Improvement bonds were issued in the amount of \$1,107,000 as a result of the School District being approved for a \$8,578,658 school facilities loan through the State Department of Education for the construction of a new building and renovations to the existing ones. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 3.2 mil levy. The 3.2 mil levy, of which .5 mills was to be used for the retirement of the loan, will be in effect for twenty-three years.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

On October 7, 1997, Huntington Local School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the previous classroom facilities loans, or the new \$8,578,658 loan to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$2,298,900 with an unvoted debt margin of \$37,027 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$50,000	\$92,366	\$142,366
2003	55,000	94,185	149,185
2004	55,000	90,873	145,873
2005	60,000	87,376	147,376
2006	65,000	88,573	153,573
2007-2011	275,000	410,898	685,898
2012-2016	275,000	402,414	677,414
2017-2021	355,000	402,766	757,766
Total	<u>\$1,190,000</u>	<u>\$1,669,451</u>	<u>\$2,859,451</u>

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

15. CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had the following contractual purchase commitments:

Company	Contract Amount	Amount Expended	Balance at June 30, 2001
W. E. Monks and Company	\$65,000	\$34,150	\$30,850
Barry Haubeil Construction	49,475	0	49,475
Totals	<u>\$114,475</u>	<u>\$34,150</u>	<u>\$80,325</u>

16. JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The 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 school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two treasurers of the participating school districts, plus one representative from the fiscal agent. The School District paid SCOCA \$2,790 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway-Ross County Joint Vocational School - The Pickaway-Ross County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross County Joint Vocational School, Ben Van Horn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Great Seal Education Network of Tomorrow - The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members, each of which possess its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

17. INSURANCE PURCHASING AND CLAIMS SERVICING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

Ross County School Employees Insurance Consortium - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of sixteen school districts within Ross County and its surrounding area. Medical/surgical, and dental insurance is administered through a third party administrator, Professional Risk Management Co. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Westfall Local School District, Scott Glandon who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

18. SCHOOL FUNDING

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.
- ▶ 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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

18. SCHOOL FUNDING (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 10, 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 School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

19. SET-ASIDE CALCULATIONS

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

For fiscal year ended June 30, 2001, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes. The total of Bureau of Workers' Compensation refunds remaining in the Reserve for Budget Stabilization line item on the balance sheet is \$35,901. The remaining amount is shown on the balance sheet as Designated for Budget Stabilization in the amount of \$143,239.

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2000	\$1,976	\$0
Current year set-aside requirement	140,540	140,540
Current year offsets	0	(29,325)
Qualifying disbursements	(142,516)	(111,215)
Set-aside Reserve Balance as of June 30, 2001	\$0	\$0

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

19. SET-ASIDE CALCULATIONS (Continued)

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had qualifying disbursements and offsets during the fiscal year that would reduce the capital improvements set aside amounts below zero, and these extra amounts may be used to reduce the set-aside requirements of future years, the School District has decided not to carry over such negative balances to the next year.

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is not party to legal proceedings.

21. CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2001, the School District has implemented *GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions,"* and *GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues,"* which changes how the School District reports certain types of revenues. The implementation of these pronouncements did not require any material adjustments.

This Page Intentionally Left Blank

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FEDERAL AWARDS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30,2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
<i>Child Nutrition Cluster :</i>						
Food Distribution (See Note "B")		10.550	\$0	\$29,549	\$0	\$28,553
National School Breakfast Program	05-PU 00/01	10.553	22,635	0	22,635	0
National School Lunch Program	04-PU 00/01	10.555	125,981	0	125,981	0
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>148,616</u>	<u>29,549</u>	<u>148,616</u>	<u>28,553</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education</i>						
Title I	C1-S1 00/01	84.010	283,442	0	323,275	0
Drug Free Federal Subsidy (See Note "C")	DR-S1 01	84.186	5,177	0	4,050	0
Eisenhower Professional Development (See Note "C")	MS-S1 01	84.281	7,394	0	4,459	0
Goals 2000	G2-S2 01	84.276	43,979	0	43,656	0
Title VI	C2-S1 01	84.298	6,355	0	4,315	0
Title VI R	CR-S1 01	84.340	30,680	0	30,680	0
Title VI B	6B-SF 01 P	84.027	74,690	0	71,044	0
Total Passed Through the Ohio Department of Education			<u>451,717</u>	<u>0</u>	<u>481,479</u>	<u>0</u>
Total			<u>\$600,333</u>	<u>\$29,549</u>	<u>\$630,095</u>	<u>\$28,553</u>

See Accompanying Notes to Schedule of Federal Awards

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District'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.. It is assumed federal monies are expended first.

At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

Board of Education
Huntington Local School District
Ross County
188 Huntsman Road
Chillicothe, Ohio 43113

We have audited the general purpose financial statements of Huntington Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 15, 2001. 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 the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10771-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2001.

Huntington Local School District
Ross County
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 management, the Board of Education, federal award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

November 15, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

Board of Education
Huntington Local School District
Ross County
188 Huntsman Road
Chillicothe, Ohio 43113

Compliance

We have audited the compliance of Huntington Local School District, Ross County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 the 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 District's compliance with those requirements.

In our opinion, the 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, 2001.

Internal Control Over Compliance

The management of the 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 the 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.

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

JIM PETRO
Auditor of State

November 15, 2001

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(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 noncompliance at the financial statement level (GAGAS)?	Yes
(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 1 CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A:>3 \$ 300,00 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	2001-10771-001
-----------------------	-----------------------

Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been lawfully appropriated.

Ohio Rev. Code Sections 5705.41 (D) states no expenditure of money is to be made unless the fiscal officer certifies that the amount has been lawfully appropriated. The following funds had expenditures plus encumbrances in excess of lawful appropriations at June 30, 2001:

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2001
(Continued)**

Finding Number, Continued	2001-10771-001
----------------------------------	-----------------------

Expenditures Exceeding Appropriations, (Continued)

Fund Number/Title	Appropriations	Expenditures plus Encumbrances	Variance
018 Public School Support	4,000	7,322	3,322
019 Phonics Demonstration Grant	0	2,400	2,400
034 Classroom Facilities Management	16,000	19,786	3,786
300 Extracurricular Activities	71,763	111,678	39,915
447 DPIA	299,619	352,850	53,231
499 Misc State Grants	30,348	46,305	15,957
516 Title VI-B	0	6,427	6,427
572 Title One-carryover	0	13,637	13,637
Total Special Revenue Funds	\$421,730	\$560,405	\$138,675
010 Classroom Facilities	663,466	886,211	222,745
Total Capital Projects	\$663,466	\$866,211	\$222,745
024 Employee Benefit Self Insurance	648,181	712,085	63,904
Total Internal Service Fund	\$648,181	\$712,085	\$63,904
Total	\$1,733,377	\$2,138,701	\$425,324

The District is not properly providing prior certification, and the Treasurer should deny payment requests exceeding appropriations. When proper, the Treasurer should request the Board increase spending authority within estimated resources to allow for increased expenditures.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2001
(Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL
AWARDS SUMMARY OF AUDITOR'S RESULTS**

None

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

JUNE 30, 2001

SCHEDULE OF PRIOR AUDIT FINDING

Finding Number	Finding Summary	Status	Not Corrected Explanation/Re- issued Finding Number
2000-10771-001	District expenditures exceeded appropriations (spending authority) in contradiction to Ohio Rev. Code Section 5705.41(B)	Not Corrected	Reissued as 2001-10771-001



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

HUNTINGTON LOCAL SCHOOL DISTRICT

ROSS 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 3, 2002**