



**Auditor of State
Betty Montgomery**

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Statement of Net Assets	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non- GAAP Budget Basis) – General Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Food Service Special Revenue Fund	18
Statement of Fund Net Assets – Internal Service Fund	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Fund.....	20
Statement of Cash Flows – Internal Service Fund	21
Statement of Fiduciary Net Assets – Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund.....	23
Notes to the Basic Financial Statements.....	25
Schedule of Federal Awards Receipts and Expenditures.....	55
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	56
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	57
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	59
Schedule of Findings and Questioned Costs	61

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Huntington Local School District
Ross County
188 Huntsman Road
Chillicothe, Ohio 45601

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huntington Local School District, Ross County, Ohio, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Huntington Local School District, Ross County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General and Food Service Funds, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2005, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is 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 basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 21, 2005

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The discussion and analysis of the Huntington Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- Net assets of governmental activities decreased \$298,657 from fiscal year 2003. This is due primarily to the School District's current year depreciation expense.
- General revenues accounted for \$8,880,265 or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,169,710 or 20 percent of total revenues of \$11,049,975.
- Total assets of governmental activities decreased by \$88,177. Capital assets decreased by \$760,479 due to current year depreciation. Total current assets increased \$672,302 due to the School District striving to reduce expenditures, thus increasing the current year balance in Equity in Pooled Cash and Cash Equivalents.
- The School District had \$11,348,632 in expenses related to governmental activities; only \$2,169,710 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily grants and entitlements and property taxes) of \$8,880,265 were used to provide for these programs along with cash balances from the prior year.

Using this Basic Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Huntington Local School District as a financial whole, an entire operating entity.

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The major funds for the Huntington Local School District are the General Fund and the Food Service Special Revenue Fund.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2004?"

The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund - Proprietary funds use the same basis of accounting as business-type activities. The internal service fund is used to report activities that provide services to the School District's other funds and departments.

Fiduciary Funds - The School District's fiduciary funds are a private purpose trust fund and an agency fund. All of the School District's fiduciary funds are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal years 2004 and 2003:

(Table 1)

Net Assets

Governmental Activities

	2004	Restated 2003
	<u> </u>	<u> </u>
Assets		
Current Assets	\$7,503,824	\$6,831,522
Capital Assets	15,440,673	16,201,152
Total Assets	<u>22,944,497</u>	<u>23,032,674</u>
Liabilities		
Long-Term Liabilities	1,694,240	1,677,015
Other Liabilities	2,337,804	2,144,549
Total Liabilities	<u>4,032,044</u>	<u>3,821,564</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	14,316,489	15,049,199
Restricted	553,348	585,053
Unrestricted	4,042,616	3,576,858
Total Net Assets	<u>\$18,912,453</u>	<u>\$19,211,110</u>

Total net assets decreased \$298,657. Equity in pooled cash and cash equivalents increased \$617,525 due to the District striving to reduce expenditures. Cash and Cash Equivalents with Fiscal Agent decreased \$39,662 due to an increase in the current year claims submitted. Current liabilities increased \$193,255 due primarily to an increase in the current year accrued wages and benefits, accounts payable, and claims payable. Capital Assets decreased by \$760,479 due to current year depreciation and deletions.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and interest and charges for services. General revenues include taxes and unrestricted grants, such as state foundation support.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

(Table 2)
Change in Net Assets
Governmental Activities

	<u>2004</u>	<u>Restated 2003</u>
Revenues		
Program Revenues:		
Charges for Services	\$510,228	\$359,359
Operating Grants, Contributions, and Interest	1,623,281	1,363,782
Capital Grants and Contributions	36,201	14,673
Total Program Revenues	<u>2,169,710</u>	<u>1,737,814</u>
General Revenues:		
Property Taxes	1,044,695	991,885
Grants and Entitlements not Restricted to Specific Programs	7,644,779	7,585,286
Investment Earnings	42,358	67,340
Rentals	0	6,458
Miscellaneous	147,456	363,532
Gain on Sale of Capital Assets	977	0
Total General Revenues	<u>8,880,265</u>	<u>9,014,501</u>
Total Revenues	<u>\$11,049,975</u>	<u>\$10,752,315</u>

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

	<u>2004</u>	<u>2003</u>
Program Expenses		
Instruction		
Regular	\$6,330,546	\$5,880,857
Special	753,682	607,444
Vocational	34,835	56,726
Support Services		
Pupils	299,736	322,068
Instructional Staff	314,832	299,697
Board of Education	16,573	14,553
Administration	723,121	658,422
Fiscal	479,442	500,910
Operation and Maintenance of Plant	925,187	1,097,512
Pupil Transportation	670,300	606,278
Operation of Non-Instructional Services	458,788	372,630
Extracurricular Activities	275,089	319,528
Interest and Fiscal Charges	66,501	64,496
Total Expenses	<u>11,348,632</u>	<u>10,801,121</u>
Decrease in Net Assets	<u>(\$298,657)</u>	<u>(\$48,806)</u>

Grants and entitlements not restricted to specific programs made up 69 percent of the total revenue for governmental activities of the Huntington Local School District for fiscal year 2004. Property tax revenue made up 9 percent of the total revenue for governmental activities for a total of 78 percent of all revenue coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction makes up 56 percent of governmental program expenses. Support services expenses make up 30 percent of governmental program expenses.

Operating grants, contributions, and interest increased \$259,499 due to an increase in state funding and federal grant award amounts. The increase in regular and special instruction, support services administration, and operation of non-instructional services is due to an increase in salaries and benefits. The decrease in operation and maintenance of plant is due to a reduction in maintenance expenses to the District's assets.

The Statement of Activities shows the cost of program services and the charges for services and grants, including interest, offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations, and interest.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

(Table 3)

Governmental Activities

	Total Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2004	Net Cost of Services 2003
Instruction	\$7,119,063	\$6,545,027	\$5,536,228	\$5,011,823
Support Services	3,429,191	3,499,440	3,365,225	3,023,209
Operation of Non-Instructional Services (Food Services)	458,788	372,630	72,515	49,536
Extracurricular Activities	275,089	319,528	138,453	147,956
Interest and Fiscal Charges	66,501	64,496	66,501	64,496
Total Expenses	\$11,348,632	\$10,801,121	\$9,178,922	\$8,297,020

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,067,359 and expenditures of \$10,649,533. The net change in fund balance for the year was most significant in the General fund with an increase of \$601,508 due to the School District striving to reduce cash expenditures. The Food Service fund balance decreased \$30,139 due to employee salary and benefits expenditure increases.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2004 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the general fund, original budget basis revenue was \$8,706,204 with final budget basis revenues of \$9,011,479. The difference of \$305,275 was due primarily to an increase in actual state foundation monies received compared to the original estimate. Original budget basis expenditures were \$10,125,433 with final budget basis expenditures of \$10,011,931. The difference of \$113,502 was due primarily to the School District using long-term substitute teachers at a lower cost for teachers who were on medical leave without pay.

The School District's ending unobligated cash balance was \$1,702,553 above the final budgeted amount.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004 the School District had \$15,440,673 invested in land, land improvements, buildings and improvements, furniture, fixtures, equipment, textbooks, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003:

(Table 4)

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

	2004	2003
Land	\$369,307	\$369,307
Land Improvements	392,169	427,685
Buildings and Improvements	13,605,025	14,092,174
Furnitures, Fixtures, Equipment and Textbooks	775,509	951,872
Vehicles	298,663	360,114
Totals	\$15,440,673	\$16,201,152

The primary decrease was due to current year depreciation. (See Note 9 in the Notes to the Basic Financial Statements).

Debt

At June 30, 2004 the School District had \$1,030,000 in total bonds outstanding, of which \$60,000 is due within one year. The School District also had capital lease obligations outstanding of \$94,184, of which \$25,420 is due within one year. Table 5 summarizes the bonds and capital leases outstanding:

(Table 5)

**Outstanding Debt, at Year End
Governmental Activities**

	2004	2003
General Obligation Bonds:		
1989 School Improvement Bonds	\$105,000	\$125,000
1998 School Improvement Bonds	925,000	960,000
Capital Leases	94,184	66,953
Totals	\$1,124,184	\$1,151,953

1989 School Improvement Bonds - In 1989, the School District issued \$310,000 in voted general obligation bonds for the construction of a new building. The bonds were issued for a twenty year period with final maturity occurring during fiscal year 2008. The bonds will be retired from the Debt Service Fund.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

1998 School Improvement Bonds - In 1998, the School District issued \$1,107,000 in voted general obligation bonds for the construction of a new building and renovations to the existing ones. The bonds were issued for a twenty-three year period with final maturity occurring during fiscal year 2021. The bonds will be retired from the Debt Service Fund.

The School District has entered into capitalized leases for copiers.

The School District's overall legal debt margin was \$3,209,052 with an unvoted debt margin of \$45,217 at June 30, 2004. (See Note 15 in the Notes to the Basic Financial Statements).

Current Issues

Externally, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. Huntington Local School District has benefited drastically.

Although considered one of the lowest wealth districts, as the district is rated 611 out of 612 districts in property valuation per pupil in the State of Ohio, the district is financially stable, and has been over the past several years. As indicated in the preceding financial information, the State of Ohio provides the majority of the funding received by the School District. Careful financial planning has permitted our School District to provide a quality education for our students along with new and renovated facilities for the future, despite our low wealth status.

The future of the School District is hard to predict. The financial situation is stable at the present time, however, the School District is unable to predict what effect the budget problems of the State of Ohio may have on its financial operations. Huntington Local School District is very concerned with the State budget decisions because the School District receives such a substantial amount of funding from the State of Ohio.

During the last several years the School District's enrollment has shown a slight decrease. With enrollment decreasing and the uncertainty in State funding it is hard to build a forecast, but the Huntington Local School District continues to utilize and demonstrate fiscal responsibility by adopting balanced budgets and not over spending the budgets.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Emma Stratton, Treasurer, at Huntington Local School District, 188 Huntsmen Road, Chillicothe, Ohio 45601 or via e-mail at emma_hl@scoca-k12.org.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,828,715
Cash and Cash Equivalents With Fiscal Agent	168,101
Materials and Supplies Inventory	45,356
Accrued Interest Receivable	2,275
Accounts Receivable	3,998
Intergovernmental Receivable	374,724
Prepaid Items	18,089
Taxes Receivable	1,062,566
Capital Assets:	
Land	369,307
Depreciable Capital Assets, Net	<u>15,071,366</u>
<i>Total Assets</i>	<u>22,944,497</u>
<u>Liabilities:</u>	
Accounts Payable	60,191
Accrued Wages and Benefits Payable	952,361
Intergovernmental Payable	265,592
Accrued Interest Payable	12,933
Deferred Revenue	912,303
Claims Payable	134,424
Long-Term Liabilities:	
Due Within One Year	150,403
Due In More Than One Year	<u>1,543,837</u>
<i>Total Liabilities</i>	<u>4,032,044</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	14,316,489
Restricted for:	
Debt Service	161,095
Capital Projects	90,752
Other Purposes	168,247
Set-Asides	133,254
Unrestricted	<u>4,042,616</u>
<i>Total Net Assets</i>	<u><u>\$18,912,453</u></u>

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<i>Governmental Activities</i>					
Instruction:					
Regular	\$6,330,546	\$221,926	\$427,013	\$36,201	(\$5,645,406)
Special	753,682	0	897,015	0	143,333
Vocational	34,835	0	680	0	(34,155)
Support Services:					
Pupils	299,736	0	0	0	(299,736)
Instructional Staff	314,832	0	2,613	0	(312,219)
Board of Education	16,573	0	0	0	(16,573)
Administration	723,121	0	11,724	0	(711,397)
Fiscal	479,442	0	3,824	0	(475,618)
Operation and Maintenance of Plant	925,187	0	0	0	(925,187)
Pupil Transportation	670,300	0	45,805	0	(624,495)
Operation of Non-Instructional Services:					
Food Service Operations	458,788	151,666	234,607	0	(72,515)
Extracurricular Activities	275,089	136,636	0	0	(138,453)
Interest and Fiscal Charges	66,501	0	0	0	(66,501)
<i>Total Governmental Activities</i>	\$11,348,632	\$510,228	\$1,623,281	\$36,201	(9,178,922)
<i>General Revenues</i>					
Property Taxes Levied for:					
					916,542
					108,699
					19,454
Grants and Entitlements not Restricted					
					7,644,779
					42,358
					147,456
					977
<i>Total General Revenues</i>					8,880,265
					(298,657)
					19,211,110
					\$18,912,453

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Balance Sheet
Governmental Funds
June 30, 2004

	General	Food Service	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,126,724	\$147,863	\$416,268	\$5,690,855
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	133,254	0	0	133,254
Receivables:				
Taxes	932,097	0	130,469	1,062,566
Accounts	3,998	0	0	3,998
Intergovernmental	0	0	66,007	66,007
Accrued Interest	2,275	0	0	2,275
Interfund	1,538	0	0	1,538
Prepaid Items	18,089	0	0	18,089
Materials and Supplies Inventory	33,098	12,258	0	45,356
Total Assets	\$6,251,073	\$160,121	\$612,744	\$7,023,938
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts Payable	\$36,436	\$0	\$23,755	\$60,191
Accrued Wages and Benefits Payable	773,203	37,227	141,931	952,361
Intergovernmental Payable	173,201	5,346	7,305	185,852
Interfund Payable	0	0	1,538	1,538
Deferred Revenue	838,766	0	129,743	968,509
Total Liabilities	1,821,606	42,573	304,272	2,168,451
<u>Fund Balances:</u>				
Reserved for Encumbrances	123,951	700	10,509	135,160
Reserved for Property Taxes	93,331	0	13,712	107,043
Reserved for Textbooks and Instructional Materials	59,351	0	0	59,351
Reserved for Capital Improvements	50,070	0	0	50,070
Reserved for Bus Purchases	23,833	0	0	23,833
Unreserved, Undesignated, Reported in:				
General Fund	4,078,931	0	0	4,078,931
Special Revenue Funds	0	116,848	35,653	152,501
Debt Service Fund	0	0	157,846	157,846
Capital Projects Funds	0	0	90,752	90,752
Total Fund Balances	4,429,467	117,548	308,472	4,855,487
Total Liabilities and Fund Balances	\$6,251,073	\$160,121	\$612,744	\$7,023,938

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

Total Governmental Fund Balances	\$4,855,487
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	369,307	
Other capital assets	25,837,558	
Accumulated depreciation	(10,766,192)	
Total capital assets	15,440,673	15,440,673

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	43,220	
Intergovernmental	12,986	
	56,206	56,206

The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets 347,000

Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (79,740)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(1,030,000)	
Accrued interest on bonds	(12,933)	
Capital leases	(94,184)	
Compensated absences	(570,056)	
Total liabilities	(1,707,173)	(1,707,173)

Net Assets of Governmental Activities	\$18,912,453
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See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Food Service	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$906,109	\$0	\$126,679	\$1,032,788
Intergovernmental	7,958,131	234,065	1,319,541	9,511,737
Interest	42,043	542	315	42,900
Tuition and Fees	20,855	0	0	20,855
Extracurricular Activities	18,493	0	118,143	136,636
Rentals	8,160	0	0	8,160
Customer Sales and Service	15,161	151,666	0	166,827
Miscellaneous	147,456	0	0	147,456
<i>Total Revenues</i>	<u>9,116,408</u>	<u>386,273</u>	<u>1,564,678</u>	<u>11,067,359</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,468,493	0	1,379,981	5,848,474
Special	693,687	0	0	693,687
Vocational	44,442	0	0	44,442
Support Services:				
Pupils	278,795	0	0	278,795
Instructional Staff	189,189	0	2,638	191,827
Board of Education	16,573	0	0	16,573
Administration	649,703	0	7,573	657,276
Fiscal	458,962	0	7,635	466,597
Operation and Maintenance of Plant	940,796	0	16,602	957,398
Pupil Transportation	600,674	0	150	600,824
Operation of Non-Instructional Services:				
Food Service Operations	0	416,412	0	416,412
Extracurricular Activities	146,115	0	131,495	277,610
Capital Outlay	59,840	0	539	60,379
Debt Service:				
Principal Retirement	22,740	0	55,000	77,740
Interest and Fiscal Charges	5,626	0	55,873	61,499
<i>Total Expenditures</i>	<u>8,575,635</u>	<u>416,412</u>	<u>1,657,486</u>	<u>10,649,533</u>
Excess of Revenues Over (Under) Expenditures	<u>540,773</u>	<u>(30,139)</u>	<u>(92,808)</u>	<u>417,826</u>
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	59,840	0	0	59,840
Transfers In	2,009	0	2,940	4,949
Transfers Out	(1,114)	0	(3,835)	(4,949)
<i>Total Other Financing Sources (Uses)</i>	<u>60,735</u>	<u>0</u>	<u>(895)</u>	<u>59,840</u>
<i>Net Change in Fund Balances</i>	601,508	(30,139)	(93,703)	477,666
<i>Fund Balances Beginning of Year</i>	<u>3,827,959</u>	<u>147,687</u>	<u>402,175</u>	<u>4,377,821</u>
<i>Fund Balances End of Year</i>	<u>\$4,429,467</u>	<u>\$117,548</u>	<u>\$308,472</u>	<u>\$4,855,487</u>

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$477,666

*Amounts reported for governmental activities in the
statement of activities are different because:*

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	213,661	
Depreciation expense	(956,089)	
Excess of depreciation expense over capital outlay		(742,428)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of capital assets resulting in a gain on the sale of capital assets in the statement of activities.

Gain on early trade-in of capital lease	977	
Loss on disposal of capital assets	(9,159)	
Net loss on disposal capital assets		(8,182)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	11,907	
Intergovernmental	(30,268)	
		(18,361)

The internal service fund used by management to charge the cost of insurance to individual funds is reported in the entity wide statement of activities 18,132

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (59,840)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond payments	55,000	
Capital lease payments	22,740	
Total long-term debt repayment		77,740

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	(44,994)	
Increase in accrued interest payable	(5,002)	
Decrease in intergovernmental payable	6,612	
Total (increase)/decrease		(43,384)

Change in Net Assets of Governmental Activities (\$298,657)

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$932,144	\$926,264	\$888,654	(\$37,610)
Intergovernmental	7,567,181	7,870,056	7,878,771	8,715
Interest	39,326	40,900	41,935	1,035
Tuition and Fees	17,393	18,089	19,305	1,216
Extracurricular Activities	16,493	17,153	18,493	1,340
Rentals	7,269	7,560	8,160	600
Customer Sales and Service	14,578	15,161	15,161	0
Miscellaneous	111,820	116,296	245,150	128,854
<i>Total Revenues</i>	<u>8,706,204</u>	<u>9,011,479</u>	<u>9,115,629</u>	<u>104,150</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,564,678	5,354,857	4,541,305	813,552
Special	669,400	677,465	629,338	48,127
Vocational	83,500	80,580	47,075	33,505
Other	80,000	80,000	44,374	35,626
Support Services:				
Pupils	311,850	317,088	275,473	41,615
Instructional Staff	219,555	239,555	187,756	51,799
Board of Education	42,000	42,000	16,720	25,280
Administration	672,250	697,312	633,647	63,665
Fiscal	523,100	523,100	452,974	70,126
Operation and Maintenance of Plant	1,106,700	1,106,699	960,997	145,702
Pupil Transportation	709,800	744,703	661,892	82,811
Extracurricular Activities	142,600	148,572	146,069	2,503
<i>Total Expenditures</i>	<u>10,125,433</u>	<u>10,011,931</u>	<u>8,597,620</u>	<u>1,414,311</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,419,229)</u>	<u>(1,000,452)</u>	<u>518,009</u>	<u>1,518,461</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	3,255	3,255	2,044	(1,211)
Transfers Out	(185,302)	(186,417)	(1,114)	185,303
<i>Total Other Financing Sources (Uses)</i>	<u>(182,047)</u>	<u>(183,162)</u>	<u>930</u>	<u>184,092</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,601,276)	(1,183,614)	518,939	1,702,553
<i>Fund Balance at Beginning of Year</i>	4,514,590	4,514,590	4,514,590	0
<i>Prior Year Encumbrances Appropriated</i>	<u>66,062</u>	<u>66,062</u>	<u>66,062</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$2,979,376</u>	<u>\$3,397,038</u>	<u>\$5,099,591</u>	<u>\$1,702,553</u>

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Food Service Special Revenue Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$190,000	\$190,000	\$192,961	\$2,961
Interest	1,200	1,200	542	(658)
Customer Sales and Services	213,800	213,800	151,666	(62,134)
<i>Total Revenues</i>	405,000	405,000	345,169	(59,831)
<u>Expenditures:</u>				
Current:				
Food Service Operations	453,000	453,000	374,175	78,825
<i>Net Change in Fund Balance</i>	(48,000)	(48,000)	(29,006)	18,994
<i>Fund Balance at Beginning of Year</i>	175,569	175,569	175,569	0
<i>Prior Year Encumbrances Appropriated</i>	600	600	600	0
<i>Fund Balance at End of Year</i>	\$128,169	\$128,169	\$147,163	\$18,994

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Statement of Fund Net Assets
Internal Service Fund
June 30, 2004

	<u>Self-Insurance</u>
<u>Assets:</u>	
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,606
Cash and Cash Equivalents with Fiscal Agent	<u>168,101</u>
Total Current Assets	172,707
 <u>Non-Current Assets:</u>	
Receivables:	
Intergovernmental	<u>308,717</u>
Total Assets	481,424
 <u>Liabilities:</u>	
Claims Payable	<u>134,424</u>
 <u>Net Assets:</u>	
Unrestricted	<u><u>\$347,000</u></u>

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	<u>Self-Insurance</u>
<u>Operating Revenues:</u>	
Charges for Services	<u>\$2,378,822</u>
<u>Operating Expenses:</u>	
Purchased Services	215,310
Claims	<u>2,145,380</u>
<i>Total Operating Expenses</i>	<u>2,360,690</u>
<i>Change in Net Assets</i>	18,132
<i>Net Assets at Beginning of Year</i>	<u>328,868</u>
<i>Net Assets at End of Year</i>	<u><u>\$347,000</u></u>

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	<u>Self-Insurance</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<i><u>Cash Flows from Operating Activities:</u></i>	
Cash Received from Quasi-External Transactions with other funds	\$2,378,822
Cash Payments to Suppliers for Goods and Services	(215,310)
Cash Payments for Claims	<u>(2,120,551)</u>
Net Cash Provided by Operating Activities	<u>42,961</u>
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>	
Repayment of Loans from Other Governments	225,336
Loans to Other Governments	<u>(308,717)</u>
Net Cash Used for Noncapital Financing Activities	<u>(83,381)</u>
Decrease in Cash and Cash Equivalents	(40,420)
Cash and Cash Equivalents at Beginning of Year	<u>213,127</u>
Cash and Cash Equivalents at End of Year	<u><u>\$172,707</u></u>
<i><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></i>	
Operating Income	\$18,132
<i><u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u></i>	
Increase in Claims Payable	<u>24,829</u>
Net Cash Provided by Operating Activities	<u><u>\$42,961</u></u>

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust Trust	Agency Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$493	\$29,830
<u>Liabilities:</u>		
Undistributed Monies	0	\$29,830
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$493	

See accompanying notes to the basic financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004

	Private Purpose Trust
	Scholarship
<u>Deductions:</u>	
Scholarship Payments	2,007
<i>Change in Net Assets</i>	(2,007)
<i>Net Assets Beginning of Year</i>	2,500
<i>Net Assets End of Year</i>	\$493

See accompanying notes to the basic financial statements

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**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 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 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 58 non-certificated employees, 94 certificated full-time teaching personnel, and 5 administrative employees who provide services to 1,374 students and other community members. The School District currently operates three instructional buildings, a bus garage, and an athletic complex.

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 School District participates in eight organizations, five of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a claims servicing pool. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Career and Technology Center, the Great Seal Education Network of Tomorrow, the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Ross County School Employees Insurance Consortium. These organizations are presented in Notes 17 and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Huntington Local School District have been prepared in conformity with generally accepted account principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-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 governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. All funds of the School District fall within three categories, governmental, proprietary, and fiduciary.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Governmental Funds:

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

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.

Food Service Fund – To account for the receipts and expenditures related to food service operations.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – The internal service fund is used to account for the medical, surgical, and dental benefits provided to employees.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two fiduciary funds: a private purpose trust used to account for college scholarship donations and an agency fund, used to account for student activity programs.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenditures) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide fund financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources are collectible 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 fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The School District participates in a claims servicing pool that pays employee health and dental insurance claims on the School District's behalf. The balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2004, is presented as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2004, investments were limited to repurchase agreements and certificates of deposit, which are reported at cost.

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 2004 amounted to \$42,043 which includes \$4,097 assigned from other School District funds.

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 presented on the financial statements as cash equivalents.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent cash equivalents legally required to be set-aside by the School District for the purchase of textbooks and instructional materials and capital improvements, and revenues restricted for the purchase of buses.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

The School District's only capital assets are general assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital 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 one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 7 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures, Equipment, and Textbooks	3 - 20 years
Vehicles	3 - 10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after twenty years of current service with the School District.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

M. Fund Balance Reserves

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. 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, property taxes, textbooks and instructional materials, capital improvements, and bus purchases.

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include required budget reserves, food service operations, and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported in the final column of the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Q. 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.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR NET ASSETS

For fiscal year 2004, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". This Statement further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2004.

For fiscal year 2004, an error was discovered that related to the overstatement of accumulated depreciation in the prior year. The error resulted in the following restatement of net assets.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR
NET ASSETS (Continued)**

	Governmental Activities
Net Assets, June 30, 2003	<u>\$18,657,729</u>
Restatement of Accumulated Depreciation	<u>553,381</u>
Net Assets, June 30, 2003 as Restated	<u><u>\$19,211,110</u></u>

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2004, the Disadvantaged Pupil Impact Aid, Summer School Subsidy, Title VI-B and Chapter II Special Revenue Funds had deficit fund balances of \$60,324, \$4,101, \$4,810, and \$2,664, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)– for the General Fund and the Food Service Special Revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General and Food Service funds.

Net Change in Fund Balances

	General	Food Service
GAAP Basis	\$601,508	(\$30,139)
Adjustments:		
Revenue Accruals	(60,619)	(41,104)
Expenditure Accruals	138,402	42,937
Transfers	35	0
Encumbrances	(160,387)	(700)
Budget Basis	\$518,939	(\$29,006)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$4,054,139 and the bank balance was \$3,956,765. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,856,765 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	\$1,973,000	\$1,973,000

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
GASB Statement No. 9	\$6,027,139	\$0
Investment:		
Repurchase Agreements	(1,973,000)	1,973,000
GASB Statement No. 3	\$4,054,139	\$1,973,000

NOTE 7 - PROPERTY TAXES

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 7 - PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market 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.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes 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 at June 30, 2004, was \$107,043 and is recognized as revenue: \$93,331 in the General Fund, \$13,712 in the Other Governmental Funds. The amount available as an advance at June 30, 2003, was \$87,027 and was recognized as revenue: \$75,876 in the General Fund, \$11,151 in the Other Governmental Funds. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 7 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$39,912,820	91.05%	\$40,996,250	90.66%
Public Utility	3,404,820	7.77%	3,457,860	7.65%
Tangible Personal Property	516,700	1.18%	763,050	1.69%
Total Assessed Value	\$43,834,340	100.00%	\$45,217,160	100.00%
 Tax rate per \$1,000 of assessed valuation	\$31.50		\$31.50	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, accounts (tuition and student fees), intergovernmental grants, accrued interest, and interfund. The Self-Insurance Internal Service Fund intergovernmental receivable consists of claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the School District. The School District believes that all receivables, except for Internal Service receivables, are considered fully collectible within one year 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. Internal Service receivables are considered to be fully collectible, although the total amount may not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Title I	\$58,634
Title IV-A	1,222
Title II-A	4,883
Title II-D	1,268
Internal Service	308,717
Total Intergovernmental Receivables	\$374,724

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance at 6/30/2003	Additions	Deletions	Balance at 6/30/2004
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$369,307	\$0	\$0	\$369,307
Capital Assets Being Depreciated:				
Land Improvements	1,123,015	1,764	0	1,124,779
Buildings And Improvements	20,660,106	108,076	(63,350)	20,704,832
Furniture, Fixtures, Equipment And Textbooks	2,980,355	103,821	(57,649)	3,026,527
Vehicles	981,420	0	0	981,420
Total Depreciable Capital Assets	25,744,896	213,661	(120,999)	25,837,558
Total Capital Assets At Historical Cost	26,114,203	213,661	(120,999)	26,206,865
Less Accumulated Depreciation:				
Land Improvements	(695,330)	(37,280)	0	(732,610)
Buildings And Improvements	(6,567,932)	(586,066)	54,191	(7,099,807)
Furniture, Fixtures, Equipment And Textbooks	(2,028,483)	(271,292)	48,757	(2,251,018)
Vehicles	(621,306)	(61,451)	0	(682,757)
Total Accumulated Depreciation	(9,913,051)	(956,089)	102,948	(10,766,192)
Depreciable Capital Assets, Net	15,831,845	(742,428)	(18,051)	15,071,366
Governmental Activities Capital Assets, Net	\$16,201,152	(\$742,428)	(\$18,051)	\$15,440,673

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 9 - CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$522,514
Special	39,758
Vocational	4,418
Support Services:	
Pupils	17,997
Instructional Staff	121,657
Administration	51,246
Fiscal	4,937
Operation and Maintenance of Plant	58,908
Pupil Transportation	76,498
Operation of Non-Instructional Services	42,564
Extracurricular Activities	15,592
Total Depreciation Expense	<u>\$956,089</u>

NOTE 10 - 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 2004, the School District contracted with Indiana Insurance for building and contents and fleet insurance.

Insurance coverage provided includes the following:

Building and Contents replacement cost (\$1,000 deductible)	\$25,306,822
Inland Marine Coverage (\$250 deductible)	100,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000

During fiscal year 2004, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 18).

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 10 - RISK MANAGEMENT (Continued)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:

Bodily Injury and Property Damage - Each Occurrence Limit and Sexual Abuse Injury - Each Sexual Abuse Offense Limit	\$1,000,000
Personal and Advertising Injury - Each Offense Limit	1,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Medical Expense - Each Accident Limit	10,000
General Aggregate Limit	3,000,000
Products - Completed Operations Limit	1,000,000

Employee Benefits Liability Endorsement:

Employee Benefits Injury - Each Offense Limit	1,000,000
Employee Benefits Injury - Aggregate Limit	3,000,000

Employer's Liability and Stop Gap Endorsement:

Bodily Injury by Accident - Each Accident Limit	1,000,000
Bodily Injury by Disease - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee Limit	1,000,000

Educational Legal Liability Coverage (\$2,500 deductible):

Errors and Omissions Injury Limit	1,000,000
Errors and Omissions Injury Aggregate Limit	2,000,000
Employment Practices Injury Limit	1,000,000
Employment Practices Injury Aggregate Limit	2,000,000
Defense Costs Cap	1,000,000
Defense Costs Aggregate Cap	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant decrease in insurance coverage from last year.

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. 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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 10 - RISK MANAGEMENT (Continued)

The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year the School District pays an enrollment fee to the GRP to cover costs of administering the program.

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 \$134,424 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30 "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
2003	\$181,852	\$937,561	\$1,009,818	\$109,595
2004	109,595	2,145,380	2,120,551	134,424

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$107,805, \$105,859, and \$66,810, respectively; 48.70 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$55,304 represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (Continued)

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$610,003, \$601,733, and \$407,171, respectively; 83.73 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$4,016 made by the School District and \$3,825 made by the plan members.

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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$46,923 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$81,187.

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, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative 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.

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated without limitation for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for classified employees and 54 days for certified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through U. S. Life Insurance.

C. Special Termination Benefit

The Board of Education approved a Special Termination Benefit program. All individuals with 30 years of STRS Ohio retirement credit are 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 to retire. The individual must submit a written notification to the Superintendent by March 1 in order to receive the incentive. During fiscal year 2004, one employee took advantage of this incentive and was paid before fiscal year-end.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 13 - EMPLOYEE BENEFITS (Continued)

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.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2004 and in prior years, the School District entered into capitalized leases for copier equipment. All leases meet 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 basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease were initially capitalized in the statement of net assets for governmental activities in the amount of \$134,368 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. During fiscal year 2004, the School District entered into a new lease prior to the full retirement of the old lease. Therefore, the balance of \$9,869 remaining on the old lease was eliminated on the financial statements upon entering into the new lease. Principal payments in fiscal year 2004 totaled \$22,740 and were paid from the General fund.

The assets acquired through capital leases as of June 30, 2004, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Copier Equipment	\$134,368	\$52,355	\$82,013

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, 2004.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Fiscal Year Ending June 30,	Total Payments
2005	\$33,333
2006	30,613
2007	22,450
2008	16,443
2009	10,722
Total	113,561
Less: Amount Representing Interest	(19,377)
Present Value of Net Minimum Lease Payments	\$94,184

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2004 were as follows:

	Amount Outstanding 6/30/03	Additions	Deductions	Amount Outstanding 6/30/04	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
1989 School Improvement Bonds - 6.40%	\$125,000	\$0	\$20,000	\$105,000	\$25,000
1998 School Improvement Bonds - 5.15%	960,000	0	35,000	925,000	35,000
Capital Leases	66,953	59,840	32,609	94,184	25,420
Compensated Absences	525,062	122,145	77,151	570,056	64,983
Total Governmental Activities Long-Term Obligations	\$1,677,015	\$181,985	\$164,760	\$1,694,240	\$150,403

1989 School Improvement Bonds - In 1989, the School District issued \$310,000 in voted general obligation bonds for the construction of a new building. The bonds were issued for a twenty year period with final maturity occurring during fiscal year 2008. The bonds will be retired from the Debt Service Fund.

1998 School Improvement Bonds - In 1998, the School District issued \$1,107,000 in voted general obligation bonds for the construction of a new building and renovations to the existing ones. The bonds were issued for a twenty-three year period with final maturity occurring during fiscal year 2021. The bonds will be retired from the Debt Service Fund.

Capital leases and compensated absences will be paid from the General Fund.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

The School District's overall legal debt margin was \$3,209,052 with an unvoted debt margin of \$45,217 at June 30, 2004.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2005	\$60,000	\$52,376	\$112,376
2006	65,000	48,573	113,573
2007	65,000	44,639	109,639
2008	70,000	40,571	110,571
2009	45,000	37,406	82,406
2010-2014	250,000	152,950	402,950
2015-2019	320,000	82,400	402,400
2020-2021	155,000	8,111	163,111
Total	\$1,030,000	\$467,026	\$1,497,026

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
		General
Payable	All Other	
	Nonmajor Funds	\$1,538

General fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the general fund for the initial advance.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 16 - INTERFUND ACTIVITY (Continued)

Transfers made during the year ended June 30, 2004 were as follows:

		Transfers From		
		General	All Other Nonmajor Funds	Total
Transfers To	General	\$0	\$2,009	\$2,009
	All Other			
	Nonmajor Funds	1,114	1,826	2,940
	Totals	\$1,114	\$3,835	\$4,949

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. For fiscal year 2004, transfers were made to the General Fund from the District Managed Activities and the Community Education Special Revenue Funds due to payments being made from wrong funds.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. 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, Pickaway, Gallia, 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 representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$5,709 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Career and Technology Center District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Pickaway-Ross County Career and Technology Center

The Pickaway-Ross County Career and Technology Center 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. The School District provides vocational instruction to students in both Pickaway and Ross Counties. To obtain financial information write to the Pickaway-Ross County Career and Technology Center, Ben Van Horn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

C. 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. The Council possesses 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. The School District paid \$300 to the Council for services provided during the year.

D. 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 in-service 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.

E. Pilasco-Ross Special Education Regional Resource Center

The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. Pilasco-Ross Special Education Regional Resource Center (Continued)

The SERRC is governed by a Board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross County Career and Technology Center, Shawnee State University, and Ross-Pike, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

NOTE 18 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS

A. 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.

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 18 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS (Continued)

C. 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 fourteen school districts within Ross County and its surrounding area. Medical/surgical and dental insurance is administered through a third party administrator, Klias and Company. 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.

NOTE 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 fiscal years.

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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2003	\$82,181	\$0
Current Year Set-aside Requirement	194,196	194,196
Current Year Offsets	0	(21,359)
Qualifying Disbursements	(217,026)	(122,767)
Totals	\$59,351	\$50,070
Set-aside Reserve Balance as of June 30, 2004	\$59,351	\$50,070

NOTE 20 - STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 21 - 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 are 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, 2004.

B. Litigation

The School District is not party to legal proceedings.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Donation (See Note 'B')	N/A	10.550	\$0	\$41,636	\$0	\$41,636
National School Breakfast Program	05-PU-2003	10.553	4,635	0	4,635	0
National School Breakfast Program	05-PU-2004	10.553	24,788	0	24,788	0
Total National School Breakfast Program			29,423	0	29,423	0
National School Lunch Program	LLP4-2003	10.555	26,862	0	26,862	0
National School Lunch Program	LLP4-2004	10.555	126,878	0	126,878	0
Total National School Lunch Program			153,740	0	153,740	0
TOTAL U.S. DEPARTMENT OF AGRICULTURE - Child Nutrition Cluster			183,163	41,636	183,163	41,636
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-2003	84.010	42,778	0	63,922	0
Title I Grants to Local Educational Agencies	C1-S1-2004	84.010	446,693	0	416,817	0
Total Title I Grants to Local Educational Agencies			489,471	0	480,739	0
Special Education Grants to States	6B-SF-2003	84.027	0	0	10,182	0
Special Education Grants to States	6B-SF-2004	84.027	188,744	0	183,125	0
Total Special Education Grants to States			188,744	0	193,307	0
Safe Drug Free Schools and Communities State Grant	DR-S1-2003	84.186	798	0	2,876	0
Safe Drug Free Schools and Communities State Grant	DR-S1-2004	84.186	11,402	0	8,511	0
Total Safe and Drug Free Schools and Communities State Grant			12,200	0	11,387	0
Eisenhower Professional Development State Grant	MS-S1-2002	84.281	(1,964)	0	0	0
Goals 2000_State and Local Education Systematic Improvement Grants	G2-S9 2001	84.276	0	0	5,123	0
Goals 2000_State and Local Education Systematic Improvement Grants	G2-S9 2002	84.276	0	0	2,021	0
Total Goals 2000_State and Local Education Systematic Improvement Grants			0	0	7,144	0
Innovative Educational Program Strategies	C2-SI-2003	84.298	1,186	0	2,087	0
Innovative Educational Program Strategies	C2-SI-2004	84.298	10,198	0	10,198	0
Total Innovative Educational Program Strategies			11,384	0	12,285	0
Education Technology State Grants	TJ-S1-2004	84.318	11,220	0	11,220	0
Rural Education	RU-S1-2004	84.358	35,600	0	34,882	0
Improving Teacher Quality State Grants	TR-S1-2003	84.367	(3,074)	0	8,556	0
Improving Teacher Quality State Grants	TR-S1-2004	84.367	105,353	0	83,314	0
Total Improving Teacher Quality State Grants			102,279	0	91,870	0
TOTAL U.S. DEPARTMENT OF EDUCATION			848,934	0	842,834	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Education:</i>						
Temporary Assistance to Needy Families		93.558	20,274	0	20,274	0
Total Federal Awards Receipts and Expenditures			\$1,052,371	\$41,636	\$1,046,271	\$41,636

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2004**

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 - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - TRANSFERS BETWEEN GRANT YEARS

During fiscal year 2003, the grant periods changed to agree with the fiscal year of school districts. The grant periods were changed from a 27month period ending in September 30 to a 12 month period ending in June 30. Transfers were made between the 2003 and 2004 grant years for CFDA 84.010 in the amount of \$14, for CFDA 84.186 in the amount of \$2,154 and CFDA 84.367 in the amount of \$9,584.

NOTE D - REFUND OF MONEY

The District refunded \$1,964 in unspent grant monies to the Ohio Department of Education for CFDA 84.281 due to the expiration of the period of availability for the pass through grant number MS-S1-2002.



Auditor of State Betty Montgomery

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

Huntington Local School District
Ross County
188 Huntsman Road
Chillicothe, Ohio 45601

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Huntington Local School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 21, 2005. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. However, we also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated March 21, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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 the District's management in a separate letter dated March 21, 2005.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 21, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Huntington Local School District
Ross County
188 Huntsman Road
Chillicothe, Ohio 45601

To the Board of Education:

Compliance

We have audited the compliance of the 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 is applicable to the major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program 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 the 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 the major federal program for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2004-001 through 2004-003.

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



Betty Montgomery
Auditor of State

March 21, 2005

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grant to Local Educational Agencies: CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2004-001
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CFDA Title and Number	84.010-Title I Grants to Local Educational Agencies
Federal Award Number / Year	C1-S1-2004
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Cash Management- Title 1- Non-Compliance

34 CFR 80.21 prescribes the basic standards and methods under which a federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors. 34 CFR 80.21(b) states that "methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205." Additionally, 34 CFR 80.21(c) states that "grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee."

The Ohio Department of Education (ODE), the District's pass through agent, requires that amounts requested on Project Cash Request forms be expended within the period of time for which they are requested (e.g. funds requested for January should be expended during January). Additionally, ODE's procedures limit cash requests to one month's expenditures (up to 10% of the approved budget amount) plus any negative balance (amount by which program expenditures exceed project cash received to date).

The District did not always spend the funds within the month requested which resulted in excess cash balances during the fiscal year. The following requests were not spent within the period of time for which they were requested:

Project Cash Request for the month of	Cash on Hand at the time of request	Amount Requested	Amount Spent for the Month Requested	Cash Remaining on Hand at the end of the month
January, 2004	\$9,092	\$47,564	\$23,203	\$33,453
April, 2004	29,553	47,564	36,362	40,755
June, 2004	(72,713)	123,244	20,656	29,875

We recommend that the District develop procedures to minimize the time between the transfer of funds from ODE to the disbursement of those funds. The District should only request funds for amounts that are expected to be expended shortly after such request. If the automatic ten percent request exceeds what is planned to be expended within the required time period, the District should decrease the amount requested from ODE.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2004-002
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CFDA Title and Number	84.010-Title I Grants to Local Educational Agencies
Federal Award Number / Year	C1-S1-2003
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Period of Availability- Title 1- Non-Compliance- Questioned Cost

The Ohio Department of Education (ODE) 2003 Comprehensive Continuous Improvement Planning (CCIP) Consolidated Application for the Title I grant had a project period ending June 30, 2003. 34 CFR 76.707 requires that an obligation for personal services by a subgrantee occur when services are performed.

The 2003 Title I grant year ended on June 30, 2003. On June 30, 2003, the only obligated costs of the 2003 grant that had not been liquidated were for employee payroll and related benefits such as dental, vision, and medical.

The salaries for employees who worked the 2003 fiscal year were obligated by June 30, 2003 and the entire amount was liquidated by the August 25, 2003 payroll. On September 8, 2003 and September 22, 2003, the District paid employees from the grant year 2003 Title I award. The September 8, 2003 and September 22, 2003 payments were not obligated within the 2003 grant year obligation period which ended on June 30, 2003.

Total questioned costs for expenditures made after the period of availability is fifteen thousand five hundred and eighty three dollars (\$15,583).

We recommend that the District use grant funds only for expenditures obligated during the period of availability.

Finding Number	2004-003
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CFDA Title and Number	84.010-Title I Grants to Local Educational Agencies
Federal Award Number / Year	C1-S1-2004
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Reporting- Title 1- Non-Compliance

The Ohio Department of Education (ODE) Federal Fiscal Report Procedures #1 requires the following:

Consolidated Application Assurances item 5 provides that the District will make reports to ODE as may be reasonably necessary to enable ODE to perform its duties.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number

2004-003 (Continued)

Reporting- Title 1- Non-Compliance (Continued)

Program funds are reported to the State of Ohio by the following report:

-Project Cash Request

The Project Cash Request form for reporting to the Ohio Department of Education requires that only actual cash basis expenditures authorized by the approved project application and charges to the project special cost center are to be reported (report amounts actually expended, not encumbered).

The District made an \$84,006 adjustment on June 24, 2004 to move expenditures from the General Fund to the Title I fund for salaries incorrectly coded to the General Fund. The adjustment included encumbrances as of June 30, 2004 for salaries earned but not paid until fiscal year 2005. This resulted in the District reporting encumbrances on the Project Cash Request Form submitted and approved on June 1, 2004. This request reported salaries for teacher contracts in the amount of \$17,857 that were to be liquidated in the months of July and August 2004.

This resulted in the noncompliance with the ODE Federal Fiscal Report Procedures #1.

We recommend the District only report actual cash basis expenditures, and not encumbrances at the time the Project Cash Request Form is submitted. We recommend the District implement procedures that will result in accurate reports being submitted to ODE.



**Auditor of State
Betty Montgomery**

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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
MAY 5, 2005**