



**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 3005**



**Auditor of State
Betty Montgomery**

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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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, the major fund, and the aggregate remaining fund information of Huntington Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, the major fund, and the aggregate remaining fund information of Huntington Local School District, Ross County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund 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, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion & Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting 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 opine 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, 2006

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

The discussion and analysis of the Huntington Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new 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 in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- < The assets of Huntington Local School District exceeded its liabilities at June 30, 2005 by \$18,558,771. Of this amount, \$14,359,664 represents capital assets net of related debt and net asset amounts restricted for specific purposes. The remaining \$4,199,107 represents unrestricted net assets.
- < In total, net assets of governmental activities decreased by \$353,682, which represents a 1.87 percent decrease from 2004.
- < General revenues accounted for \$8,696,989 or 78.82 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$2,336,317 or 21.18 percent of total revenues of \$11,033,306.
- < The District had \$11,386,988 in expenses related to governmental activities; only \$2,336,317 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues (primarily taxes and grants and entitlements) of \$8,696,989 along with cash balances from the prior year were used to provide for the remainder of these programs.
- < The District recognizes one major governmental fund: the General Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$9,113,143 in revenues and \$9,360,067 in expenditures in fiscal year 2005.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Huntington Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These 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.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the General Fund.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of three categories: governmental, proprietary and fiduciary funds.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Fund

The District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the District reports it as a proprietary fund using the full accrual basis of accounting. Since the internal service fund exclusively benefits governmental functions, it has been included with governmental activities in the government-wide financial statements.

Fiduciary Funds

The District's fiduciary funds are a private purpose trust fund and an agency fund. All of the District's fiduciary funds are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The 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.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2005 compared to fiscal year 2004:

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Government-Wide Financial Analysis (Continued)

**Table 1
Net Assets**

	<u>Governmental Activities</u>	
	2005	2004
<u>Assets:</u>		
Current and Other Assets	\$7,730,741	\$7,503,824
Capital Assets, Net	14,942,679	15,440,673
<i>Total Assets</i>	<u>22,673,420</u>	<u>22,944,497</u>
<u>Liabilities:</u>		
Long-Term Liabilities	1,590,489	1,694,240
Other Liabilities	2,524,160	2,337,804
<i>Total Liabilities</i>	<u>4,114,649</u>	<u>4,032,044</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	13,903,915	14,316,489
Restricted	455,749	553,348
Unrestricted	4,199,107	4,042,616
<i>Total Net Assets</i>	<u>\$18,558,771</u>	<u>\$18,912,453</u>

Current and other assets increased \$226,917 from fiscal year 2004 due to an increase in property taxes receivable resulting from the expiration of two tax abatements. Capital assets decreased by only \$497,994 or 3.23 percent due to current year depreciation exceeding current year additions.

Current (other) liabilities increased by only \$186,356 or 7.97 percent which is mostly due to increases in accrued wages and benefits payable and deferred revenue related to property taxes.

Long-term liabilities decreased by \$103,751 due to the retirement of principal on general obligation debt.

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. This accounts for 74.92 percent of net assets. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The District's next largest portion of net assets is unrestricted net assets. This accounts for 22.63 percent of net assets. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Government-Wide Financial Analysis (Continued)

The remaining balance of \$455,749 or 2.46 percent is restricted. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2005 and provides a comparison to fiscal year 2004.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2005	2004
<u>Revenues:</u>		
<i>Program Revenue:</i>		
Charges for Services and Sales	\$321,144	\$510,228
Operating Grants and Contributions	2,015,173	1,623,281
Capital Grants and Contributions	0	36,201
<i>General Revenue:</i>		
Property Taxes	1,078,060	1,044,695
Unrestricted Grants and Entitlements	7,384,587	7,644,779
Investment Earnings	87,350	42,358
Miscellaneous	146,992	147,456
Gain on Sale of Capital Assets	0	977
<i>Total Revenues</i>	11,033,306	11,049,975

Expenses:

Program Expenses:

Instruction:

Regular	6,484,000	6,330,546
Special	680,516	753,682
Vocational	27,652	34,835
Adult/Continuing	39,649	0

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Government-Wide Financial Analysis (Continued)

	Governmental Activities	
	2005	2004
<i>Support Services:</i>		
Pupils	300,942	299,736
Instructional Staff	259,931	314,832
Board of Education	14,020	16,573
Administration	701,576	723,121
Fiscal	454,896	479,442
Operation and Maintenance of Plant	1,082,829	925,187
Pupil Transportation	744,951	670,300
Operation of Non-Instructional Services	433,526	458,788
Extracurricular Activities	109,505	275,089
Interest and Fiscal Charges	52,995	66,501
<i>Total Expenses</i>	11,386,988	11,348,632
<i>Change in Net Assets</i>	(353,682)	(298,657)
Net Assets – Beginning of Year	18,912,453	19,211,110
Net Assets – End of Year	\$18,558,771	\$18,912,453

The most significant program expenses for the District are Regular Instruction, Operation and Maintenance of Plant, Pupil Transportation, Administration, and Special Instruction. These programs account for 85.13 percent of the total governmental activities. Regular Instruction, which accounts for 56.94 percent of the total, represents costs associated with providing general educational services. Operation and Maintenance of Plant, which represents 9.51 percent of the total, represent costs associated with operating and maintaining the District's facilities. Pupil Transportation, which represents 6.54 percent of the total, represents costs associated with providing transportation services for student between home and school and to school activities. Administration, which represents 6.16 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Special Instruction, which represents 5.98 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students.

Operating grants and contributions increased \$391,892 or 24.13 percent in fiscal year 2005, while charges for services and unrestricted grants and entitlements decreased \$189,084 and \$260,192, respectively. The reason for these changes is that more operating grant funding was received in the fiscal year and reported as program revenue.

The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs accounts for 76.70 percent of total revenues.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 9.78 percent and intergovernmental revenue made up 85.19 percent of the total revenue for the governmental activities in fiscal year 2005.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2005, the District received \$7,589,224 through the State's foundation program, which represents 68.78 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 63.51 percent of governmental program expenses. Support services expenses make up 31.26 percent of governmental expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2005 compared with fiscal year 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
<i>Program Expenses:</i>				
Instruction	\$7,231,817	\$5,422,298	\$7,119,063	\$5,536,228
Support Services	3,559,145	3,526,707	3,429,191	3,365,225
Operation of Non-Instructional Services	433,526	64,869	458,788	72,515
Extracurricular Activities	109,505	(16,198)	275,089	138,453
Interest and Fiscal Charges	52,995	52,995	66,501	66,501
Total Expenses	\$11,386,988	\$9,050,671	\$11,348,632	\$9,178,922

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of \$11,056,178 and expenditures and other financing uses of \$11,378,249.

Total governmental funds fund balance decreased by \$322,071. The decrease in fund balance for the year was most significant in the General Fund, which decreased by \$251,201 during fiscal year 2005. The General Fund decrease is due to an increase of expenditures to account for accrued liabilities such as intergovernmental payable.

Budget Highlights - General Fund

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

During the course of fiscal year 2005, the District amended its General Fund budget three times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenue was \$8,834,818 representing no change from the original budget estimates. For the General Fund, the final budget basis expenditures were \$11,011,604 representing an increase of \$478,207 from the original budget basis expenditures of \$10,533,397.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$26,481,838 invested in land, land improvements, buildings and improvements, furniture, fixtures, equipment and textbooks, and vehicles, of which all was in governmental activities. That total carries an accumulated depreciation of \$11,539,159. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Capital Assets (Continued)

**Table 4
Capital Assets & Accumulated Depreciation at June 30, 2005**

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$369,307	\$369,307
<i>Depreciable Capital Assets:</i>		
Land Improvements	1,124,779	1,124,779
Buildings and Improvements	20,755,794	20,704,832
Furniture, Fixtures, Equipment and Textbooks	3,187,717	3,026,527
Vehicles	1,044,241	981,420
<i>Total Capital Assets</i>	<u>26,481,838</u>	<u>26,206,865</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	768,841	732,610
Buildings and Improvements	7,673,378	7,099,807
Furniture, Fixtures, Equipment and Textbooks	2,425,077	2,251,018
Vehicles	671,863	682,727
<i>Total Accumulated Depreciation</i>	<u>11,539,159</u>	<u>10,766,192</u>
Capital Assets, Net	<u>\$14,942,679</u>	<u>\$15,440,673</u>

More detailed information pertaining to the District's capital asset activity can be found in the notes to the basic financial statements.

Capital assets decreased by only \$497,994 or 3.23 percent largely due to current year depreciation.

Debt Administration

At June 30, 2005, the District had \$970,000 in general obligation debt outstanding with \$65,000 due within one year. Table 5 summarizes the bonds outstanding for fiscal year 2005 compared to fiscal year 2004.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)

Debt Administration (Continued)

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2005	2004
1989 School Improvement Bonds	\$80,000	\$105,000
1998 School Improvement Bonds	890,000	925,000
Total	\$970,000	\$1,030,000

More detailed information pertaining to the District's long-term debt activity can be found 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 District. Careful financial planning has permitted the 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 District is hard to predict. The financial situation is stable at the present time, however, the 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 District receives such a substantial amount of funding from the State of Ohio.

During the last several years the 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 District's Financial Management

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,627,618
Cash and Cash Equivalents With Fiscal Agent	707,012
Property Taxes Receivable	1,188,577
Intergovernmental Receivable	156,363
Accrued Interest Receivable	7,175
Materials and Supplies Inventory	32,179
Prepaid Items	11,817
Land	369,307
Depreciable Capital Assets, Net	<u>14,573,372</u>
<i>Total Assets</i>	<u>22,673,420</u>
<u>Liabilities:</u>	
Accounts Payable	14,839
Accrued Wages and Benefits	1,027,082
Intergovernmental Payable	294,006
Accrued Interest Payable	5,640
Deferred Revenue	1,033,397
Claims Payable	149,196
<i>Long-Term Liabilities:</i>	
Due within One Year	179,013
Due in More Than One Year	<u>1,411,476</u>
<i>Total Liabilities</i>	<u>4,114,649</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	13,903,915
<i>Restricted for:</i>	
Capital Projects	90,364
Debt Service	164,484
Other Purposes	66,152
Set Asides	134,749
Unrestricted	<u>4,199,107</u>
<i>Total Net Assets</i>	<u><u>\$18,558,771</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, 2005**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$6,484,000	\$41,052	\$467,799	(\$5,975,149)
Special	680,516	0	1,300,668	620,152
Vocational	27,652	0	0	(27,652)
Adult/Continuing	39,649	0	0	(39,649)
<i>Support Services:</i>				
Pupils	300,942	0	0	(300,942)
Instructional Staff	259,931	0	0	(259,931)
Board of Education	14,020	0	0	(14,020)
Administration	701,576	0	4,489	(697,087)
Fiscal	454,896	0	4,489	(450,407)
Operation and Maintenance of Plant	1,082,829	0	0	(1,082,829)
Pupil Transportation	744,951	0	23,460	(721,491)
<i>Operation of Non-Instructional Services:</i>				
Food Service	433,526	154,389	214,268	(64,869)
Extracurricular Activities	109,505	125,703	0	16,198
Interest and Fiscal Charges	52,995	0	0	(52,995)
 <i>Total Governmental Activities</i>	 <u>\$11,386,988</u>	 <u>\$321,144</u>	 <u>\$2,015,173</u>	 <u>(9,050,671)</u>
 <u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				960,720
Debt Service				97,857
Capital Outlay				19,483
Grants and Entitlements not Restricted to Specific Programs				7,384,587
Investment Earnings				87,350
Miscellaneous				146,992
 <i>Total General Revenues</i>				 <u>8,696,989</u>
 Change in Net Assets				 (353,682)
 <i>Net Assets at Beginning of Year</i>				 <u>18,912,453</u>
 <i>Net Assets at End of Year</i>				 <u>\$18,558,771</u>

See accompanying notes to the basic financial statements.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,996,898	\$468,948	\$5,465,846
Property Taxes Receivable	1,064,640	123,937	1,188,577
Accrued Interest Receivable	7,175	0	7,175
Interfund Receivable	5,838	0	5,838
Intergovernmental Receivable	0	78,819	78,819
Prepaid Items	11,817	0	11,817
Materials and Supplies Inventory	24,649	7,530	32,179
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	158,582	0	158,582
Total Assets	\$6,269,599	\$679,234	\$6,948,833
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$14,483	\$356	\$14,839
Accrued Wages and Benefits	845,619	181,463	1,027,082
Intergovernmental Payable	269,409	24,597	294,006
Interfund Payable	0	5,838	5,838
Deferred Revenue	961,822	111,830	1,073,652
Total Liabilities	2,091,333	324,084	2,415,417
<u>Fund Balances:</u>			
Reserved for Encumbrances	28,449	7,213	35,662
Reserved for Property Taxes	102,818	12,107	114,925
Reserved for Textbooks and Instructional Material	2,270	0	2,270
Reserved for Capital Improvements	132,479	0	132,479
Reserved for Bus Purchases	23,833	0	23,833
Unreserved, Undesignated, Reported in:			
General Fund	3,888,417	0	3,888,417
Special Revenue Funds	0	88,784	88,784
Debt Service Fund	0	156,682	156,682
Capital Projects Funds	0	90,364	90,364
Total Fund Balances	4,178,266	355,150	4,533,416
Total Liabilities and Fund Balances	\$6,269,599	\$679,234	\$6,948,833

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, 2005**

Total Governmental Funds Balances		\$4,533,416
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,942,679
Some of the District's receivables 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. These receivables consist of:		
Property taxes		40,255
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
General obligation bonds	(970,000)	
Accrued interest on bonds	(5,640)	
Capital leases	(68,764)	
Compensated absences	<u>(551,725)</u>	
Total liabilities		(1,596,129)
An 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.		<u>638,550</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$18,558,771</u></u>

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, 2005

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$962,476	\$118,549	\$1,081,025
Intergovernmental	7,860,007	1,552,411	9,412,418
Interest	87,313	365	87,678
Tuition and Fees	18,141	0	18,141
Rent	7,200	0	7,200
Extracurricular Activities	15,303	110,400	125,703
Charges for Services	15,711	154,389	170,100
Miscellaneous	146,992	0	146,992
<i>Total Revenues</i>	<u>9,113,143</u>	<u>1,936,114</u>	<u>11,049,257</u>
<u>Expenditures:</u>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	4,961,103	1,334,980	6,296,083
Special	670,493	0	670,493
Vocational	23,072	0	23,072
Adult/Continuing	39,649	0	39,649
<i>Support Services:</i>			
Pupils	291,574	0	291,574
Instructional Staff	196,143	0	196,143
Board of Education	14,261	0	14,261
Administration	661,687	4,974	666,661
Fiscal	460,528	7,139	467,667
Operation and Maintenance of Plant	1,021,271	25,827	1,047,098
Pupil Transportation	830,842	0	830,842
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	0	414,294	414,294
Extracurricular Activities	156,112	111,133	267,245
Capital Outlay	0	538	538
<i>Debt Service:</i>			
Principal Retirement	25,420	60,000	85,420
Interest and Fiscal Charges	7,912	52,376	60,288
<i>Total Expenditures</i>	<u>9,360,067</u>	<u>2,011,261</u>	<u>11,371,328</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(246,924)</u>	<u>(75,147)</u>	<u>(322,071)</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	1,322	5,599	6,921
Transfers Out	(5,599)	(1,322)	(6,921)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,277)</u>	<u>4,277</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(251,201)	(70,870)	(322,071)
<i>Fund Balances at Beginning of Year</i>	<u>4,429,467</u>	<u>426,020</u>	<u>4,855,487</u>
<i>Fund Balances at End of Year</i>	<u>\$4,178,266</u>	<u>\$355,150</u>	<u>\$4,533,416</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, 2005**

Net Change in Fund Balances - Total Governmental Funds (\$322,071)

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 useful lives as depreciation expense. In the current period, these amounts are:

Capital Asset Additions	431,332	
Depreciation Expense	(897,731)	
Excess of depreciation expense over capital outlay		(466,399)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (31,595)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:

Property taxes	(2,965)	
Intergovernmental	(12,986)	
Total		(15,951)

Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 85,420

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 7,293

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:

Decrease in compensated absences	18,331	
Decrease in intergovernmental payables	79,740	
Total expenditures not reported in the funds		98,071

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among activities. 291,550

Change in Net Assets of Governmental Activities (\$353,682)

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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,000,453	\$1,000,453	\$952,989	(\$47,464)
Intergovernmental	7,568,848	7,568,848	7,860,007	291,159
Interest	60,000	60,000	82,413	22,413
Tuition and Fees	17,503	17,503	18,151	648
Extracurricular Activities	15,303	15,303	15,303	0
Rent	7,500	7,500	7,200	(300)
Charges for Services	15,711	15,711	15,711	0
Miscellaneous	149,500	149,500	150,980	1,480
Total Revenues	8,834,818	8,834,818	9,102,754	267,936
Expenditures:				
Current:				
Instruction:				
Regular	5,700,220	6,082,990	4,971,609	1,111,381
Special	706,050	723,817	660,518	63,299
Vocational	83,500	33,779	24,646	9,133
Adult/Continuing	75,000	39,742	39,649	93
Support Services:				
Pupils	331,274	333,457	285,491	47,966
Instructional Staff	255,540	255,630	193,951	61,679
Board of Education	42,500	42,500	13,171	29,329
Administration	723,450	728,445	660,401	68,044
Fiscal	531,175	531,588	460,150	71,438
Operation and Maintenance of Plant	1,201,675	1,233,538	991,577	241,961
Pupil Transportation	734,013	847,882	784,190	63,692
Extracurricular Activities	149,000	158,236	156,256	1,980
Total Expenditures	10,533,397	11,011,604	9,241,609	1,769,995
Excess of Revenues Over (Under) Expenditures	(1,698,579)	(2,176,786)	(138,855)	2,037,931
Other Financing Sources (Uses):				
Advances Out	0	(4,300)	(4,300)	0
Transfers In	0	0	1,322	1,322
Transfers Out	(185,302)	(214,361)	(5,599)	208,762
Total Other Financing Sources (Uses)	(185,302)	(218,661)	(8,577)	210,084
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,883,881)	(2,395,447)	(147,432)	2,248,015
Fund Balance at Beginning of Year	5,099,591	5,099,591	5,099,591	0
Prior Year Encumbrances Appropriated	160,382	160,382	160,382	0
Fund Balance at End of Year	\$3,376,092	\$2,864,526	\$5,112,541	\$2,248,015

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

STATEMENT OF FUND NET ASSETS
INTERNAL SERVICE
JUNE 30, 2005

	<u>Self Insurance</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$3,190
Cash and Cash Equivalents with Fiscal Agents	<u>707,012</u>
<i>Total Current Assets</i>	<u>710,202</u>
<i>Noncurrent Assets:</i>	
Intergovernmental Receivable	<u>77,544</u>
<i>Total Assets</i>	<u>787,746</u>
<u>Liabilities:</u>	
Claims Payable	<u>149,196</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$638,550</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, 2005

	<u>Self Insurance</u>
<u>Operating Revenues:</u>	
Charges for Services	<u>\$1,461,949</u>
<i>Total Operating Revenues</i>	<u>1,461,949</u>
<u>Operating Expenses:</u>	
Purchased Services	101,165
Claims	<u>1,069,234</u>
<i>Total Operating Expenses</i>	<u>1,170,399</u>
<i>Change in Net Assets</i>	291,550
<i>Net Assets at Beginning of Year</i>	<u>347,000</u>
<i>Net Assets at End of Year</i>	<u><u>\$638,550</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, 2005

	Self Insurance
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Quasi-External Transactions with Other Funds	\$1,461,949
Cash Payments to Suppliers for Goods and Services	(101,165)
Cash Payments for Claims	(1,054,462)
<i>Net Cash Provided by Operating Activities</i>	306,322
<u>Cash Flows from Noncapital Financing Activities:</u>	
Repayment of Loans from Other Governments	308,717
Loans to Other Governments	(77,544)
<i>Net Cash Provided by Noncapital Financing Activities</i>	231,173
<i>Increase in Cash and Cash Equivalents</i>	537,495
<i>Cash and Cash Equivalents at Beginning of Year</i>	172,707
<i>Cash and Cash Equivalents at End of Year</i>	\$710,202
 <u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$291,550
 <u>Adjustments to Reconcile Operating Income</u>	
<u>to Net Cash Provided by Operating Activities:</u>	
Increase in Claims Payable	14,772
<i>Net Cash Provided by Operating Activities</i>	\$306,322

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$5,493	\$30,535
<u>Liabilities:</u>		
<i>Current Liabilities:</i>		
Accounts Payable	0	17
Undistributed Monies	0	30,518
<i>Total Liabilities</i>	0	\$30,535
<u>Net Assets:</u>		
Held in Trust for Scholarships	5,493	
<i>Total Net Assets</i>	\$5,493	

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private Purpose Trust
Additions:	
Miscellaneous	\$5,000
Deductions	0
<i>Change in Net Assets</i>	5,000
<i>Net Assets at Beginning of Year</i>	493
<i>Net Assets at End of Year</i>	<u>\$5,493</u>

See accompanying notes to the basic financial statements.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

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

The District was established in 1931 through the consolidation of existing land areas and school districts. The District serves an area of approximately 52 square miles. It is located in Ross County, and includes Huntington Township. It is staffed by 55 non-certificated employees, 95 certificated full-time teaching personnel, and 5 administrative employees who provide services to 1,356 students and other community members. The District currently operates three instructional buildings, a bus garage, and an athletic complex.

Reporting Entity

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

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

The Parent Teacher Organizations and Booster Clubs perform activities within the District's boundaries for the benefit of its residents but are excluded from the accompanying financial statements because the District is not financially accountable for them nor are they fiscally dependent on the District.

The District is associated with 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 18 and 19 to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Huntington Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 District's accounting policies are described below.

A. Basis of Presentation

The District's basic financial statement consists of government-wide financial 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid doubling up of revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and 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. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. 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 statement. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of the 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, 2005
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus 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 is the District's only major governmental fund:

General Fund- This fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

The other governmental funds of the District accounts 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 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The 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.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the 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.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 balance 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 current economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement on net assets. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenditures) in total net assets. The statement of cash flows provides information about how the 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 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.

Revenues - Exchange and Nonexchange 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the 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 the fiscal year-end: property taxes available for advance, grants and interest.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, 2005, but which were levied to finance fiscal year 2006 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.

E. Cash and Cash Equivalents

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

The District participates in a claims servicing pool that pays employee health and dental insurance claims on the District's behalf. The balance of the District's funds held by the claims administrator and the fiscal agent at June 30, 2005, is presented as "Cash and Cash Equivalents With Fiscal Agent."

During the fiscal year 2005, the District's 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 2005 amounted to \$87,313, which includes \$8,227 assigned from other District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

F. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventory in governmental funds consists of expendable materials and supplies held for consumption and donated purchased food.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund represent cash equivalents legally required to be set-aside by the District for the purchase of textbooks and instructional material and capital improvements, and revenues restricted for the purchase of buses. See note 17 for additional information regarding set-asides.

I. Capital Assets

General capital assets are associated with and generally arise from 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the 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 and construction in progress, 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:

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

HUNTINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". 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 employee's rights to receive compensation are attributed to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The 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 District has identified as probable of receiving payments 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 District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 10 years of service.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees will be paid.

L. Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities and long-term liabilities 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, claims and judgments, compensated absences and special termination of benefits 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 are recognized as a liability on the fund financial statements when due.

M. 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 District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include food service operations and federal and state grants restricted to expenditures for specified purposes.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

N. Fund Balance Reserves

The 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 material, capital improvements, and bus purchases.

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

O. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on the financial statements.

P. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Budgetary Process

All funds, other than the agency fund, 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 function and object levels 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 District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

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 year, including all supplemental appropriations.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 3 –CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the District implemented GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*”. The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 6.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above 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), is presented for the General Fund 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 (budget basis) rather than as a reservation of fund balance.
4. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
Budget Basis	(\$147,432)
<i>Adjustments:</i>	
Revenue Accruals	10,389
Expenditure Accruals	(160,529)
Encumbrances	42,071
Other Sources (Uses)	4,300
GAAP Basis	<u>(\$251,201)</u>

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 5 -ACCOUNTABILITY

Fund Deficits

Fund balances at June 30, 2005 included the following individual fund deficits:

<i>Nonmajor Special Revenue Funds:</i>	
DPIA	\$59,708
Summer School Subsidy	1,753
Chapter I	9,937
Title VI-R	3,449

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

NOTE 6 – EQUITY IN POOLED CASH & CASH EQUIVALENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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 or deposit accounts including passbook accounts.

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

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 – EQUITY IN POOLED CASH & CASH EQUIVALENTS - (Continued)

- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government 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 fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio or Ohio local governments;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investment pool (STAR Ohio); and
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time.
- (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 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 investment 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.

Deposits with Financial Institutions

At June 30, 2005, the carrying amounts of the District deposits are \$6,370,658, which includes \$707,012 cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$5,577,484 of the District's bank balance of \$5,677,484 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 6 – EQUITY IN POOLED CASH & CASH EQUIVALENTS - (Continued)

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2005:

<u>Cash per footnote</u>	
Carrying amount of deposits	<u>\$ 6,370,658.00</u>
<u>Cash per Statement of Net Assets</u>	
Governmental Activities	\$ 6,334,630.00
Private Purpose Trust Fund	5,493.00
Agency Funds	30,535.00
	<u>\$ 6,370,658.00</u>

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four 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 District prior to June 30.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 7 - PROPERTY TAXES – (Continued)

The District receives property taxes from Ross County. The Ross County Auditor periodically advances to the District their portion of the taxes collected. Second-half real property tax payments collected by each county by June 30, 2005 are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2005. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30, 2005 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amounts available as an advance at June 30, 2005 were \$102,818 for the General Fund, \$2,071 for the special revenue funds and \$10,036 for debt service fund.

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.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$40,996,250	90.66%	\$45,454,160	91.56%
Public Utility Personal	3,457,860	7.65%	3,515,050	7.08%
Tangible Personal Property	763,050	1.69%	673,810	1.36%
Total Assessed Value	<u>\$45,217,160</u>	<u>100.00%</u>	<u>\$49,643,020</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$31.50		\$31.00

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 8 - RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, 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 District. The 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:

Governmental Activities	Amounts
<i>Nonmajor Special Revenue Funds:</i>	
Ohio Reads Grant	\$534
Summer School Subsidy	979
Title VI-B	23,401
Chapter I	36,164
Drug Free Schools Grant	1,374
Title VI-R	14,095
Intervention Grant	2,272
Total Nonmajor Special Revenue Funds	78,819
Internal Service Fund	77,544
Total Intergovernmental Receivables	<u>\$156,363</u>

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 9 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2005 was as follows:

Asset Category	Balance at July 1, 2004	Transfer/ Additions	Transfer/ Deletions	Balance at June 30, 2005
<i>Nondepreciable Capital Assets:</i>				
Land	\$369,307	\$0	\$0	\$369,307
<i>Depreciable Capital Assets:</i>				
Land Improvements	1,124,779	0	0	1,124,779
Buildings and Improvements	20,704,832	72,315	(21,353)	20,755,794
Furniture, Fixtures, Equipment and Textbooks	3,026,527	222,399	(61,209)	3,187,717
Vehicles	981,420	136,618	(73,797)	1,044,241
Total Depreciable Capital Assets	<u>25,837,558</u>	<u>431,332</u>	<u>(156,359)</u>	<u>26,112,531</u>
Total Capital Assets	<u>26,206,865</u>	<u>431,332</u>	<u>(156,359)</u>	<u>26,481,838</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(732,610)	(36,231)	0	(768,841)
Buildings and Improvements	(7,099,807)	(583,002)	9,431	(7,673,378)
Furniture, Fixtures, Equipment and Textbooks	(2,251,018)	(215,595)	41,536	(2,425,077)
Vehicles	(682,757)	(62,903)	73,797	(671,863)
Total Accumulated Depreciation	<u>(10,766,192)</u>	<u>(897,731)</u>	<u>124,764</u>	<u>(11,539,159)</u>
Total Governmental Activities Capital Assets, Net	<u>\$15,440,673</u>	<u>(\$466,399)</u>	<u>(\$31,595)</u>	<u>\$14,942,679</u>

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$479,664
Special	39,379
Vocational	5,275
<i>Support Services:</i>	
Pupils	19,369
Instructional Staff	71,690
Administration	52,278
Fiscal	6,653
Operation and Maintenance of Plant	95,573
Pupil Transportation	78,135
Operation of Non-Instructional Services	30,736
Extracurricular Activities	18,979
Total Depreciation Expense	\$897,731

NOTE 10 - RISK MANAGEMENT

The 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 2005, the District contracted with Indiana Insurance Company for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 10 - RISK MANAGEMENT - (Continued)

During fiscal year 2005, the 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 is selects. The District pays this annual premium to the OSP. (See Note 19).

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 change in coverage from last year.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 10 - RISK MANAGEMENT - (Continued)

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria.

The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan. Each year the 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 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 District's behalf. The claims liability of \$149,196 reported at June 30, 2005 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs related 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:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2004	\$109,595	\$2,145,380	\$2,120,551	\$134,424
2005	134,424	1,069,234	1,054,462	149,196

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 9.09 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$125,128, \$107,805, and \$105,859, respectively; 50.02 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$62,534 representing the unpaid contribution for fiscal year 2005, is recorded as a liability on the statement of net assets.

State Teachers Retirement System

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

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.

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.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent. For fiscal year 2005, 13 percent of the District's contribution was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$649,799, \$610,003, and \$601,733, respectively; 82.63 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$112,844 representing the unpaid contribution for fiscal year 2005, is recorded as a liability on the statement of net assets.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Social Security System

Effective June 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, 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 District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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 funded on a pay-as-you-go basis.

All STRS Ohio benefits recipients and sponsored dependants are eligible for health care coverage. The State Teachers Retirement Board of Ohio 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$49,985 during fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.1 billion at June 30, 2004 (the latest information year available). For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

For fiscal year 2004 (the latest information year available), 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 has been established at \$25,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. The number of participants currently receiving health care benefits is approximately 62,000. For the District, the amount to fund health care benefits, including the surcharge, equaled \$137,346 during the 2005 fiscal year.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified 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 54 days for classified employees and 57 days for certified employees.

Insurance Benefits

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

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 2005, one employee took advantage of this incentive and was paid before fiscal year-end.

Deferred Compensation

The 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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during the 2005 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2004	Additions	Deductions	Principal Outstanding at June 30, 2005	Amount Due In One Year
<i><u>Governmental Activities:</u></i>							
School Improvement Bonds	1989	6.40%	\$105,000	\$0	\$25,000	\$80,000	\$30,000
School Improvement Bonds	1998	5.15%	925,000	0	35,000	890,000	35,000
Total General Obligation Bonds			1,030,000	0	60,000	970,000	65,000
Compensated Absences Payable		N/A	570,056	462,445	480,776	551,725	88,957
Capital Leases Payable			94,184	0	25,420	68,764	25,056
Total Governmental Activities Long-Term Obligations			<u>\$1,694,240</u>	<u>\$462,445</u>	<u>\$566,196</u>	<u>\$1,590,489</u>	<u>\$179,013</u>

1989 School Improvement Bonds - In 1989, the 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 Bond Retirement Nonmajor Debt Service Fund.

1998 School Improvement Bonds - In 1998, the 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 Bond Retirement Nonmajor Debt Service Fund.

Compensated absences payable are paid from the fund from which the person is paid. The capital leases payable are paid from the General Fund.

The District's voted legal debt margin was \$3,497,872 with an unvoted debt margin of \$49,643 at June 30, 2005.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2005 are as follows:

Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest
2006	\$65,000	\$50,535
2007	65,000	46,611
2008	70,000	42,668
2009	45,000	38,475
2010	45,000	36,338
2011-2015	265,000	147,013
2016-2020	335,000	74,162
2021	80,000	4,120
Total Principal & Interest	\$970,000	\$439,922

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the District entered into capitalized leases for copier equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership of 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. However, these expenditures are reported as current expenditures on the budgetary statement.

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. Principal payments in fiscal year 2005 totaled \$25,420 and were paid from the General Fund.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The assets acquired through capital leases as of June 30, 2005, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset: Copier Equipment	\$134,368	\$79,229	\$55,139

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, 2005:

Fiscal Year Ending June 30	Total Payments
2006	\$30,612
2007	22,450
2008	16,442
2009	10,722
Total	80,226
Less: Amount Representing Interest	(11,462)
Present Value of Net Minimum Lease Payments	\$68,764

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
<i>General Fund</i>	\$5,838	\$0
<i>Nonmajor Special Revenue Funds:</i>		
Ohio Reads Grant	0	376
Drug Free Schools Grant	0	1,538
Title VI-R	0	3,437
Intervention Grant	0	487
Total	\$5,838	\$5,838

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, 2005
(Continued)**

NOTE 16 - INTERFUND ACTIVITY - (Continued)

	Transfers To		
Transfers From	General Fund	Nonmajor Special Revenue Fund	Total
General Fund	\$0	\$5,599	\$5,599
Nonmajor Special Revenue Fund	1,322	0	1,322
Totals	\$1,322	\$5,599	\$6,921

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 17 - STATUTORY SET-ASIDES

The 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 material and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similar restricted resources 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 changes occurred in the District's set-aside reserve accounts during fiscal year 2005:

	Textbooks	Capital Improvement s	Totals
Set-Aside Balance as of July 1, 2004	\$59,351	\$50,070	\$109,421
Current Year Set-Aside Requirement	195,556	195,556	391,112
Current Year Offsets	0	(22,034)	(22,034)
Qualifying Disbursements	(252,637)	(91,113)	(343,750)
Set-aside balance at June 30, 2005	2,270	132,479	134,749

Qualifying disbursements in excess of current year or accumulated set-aside requirements for textbooks may be used to reduce set-aside requirements of future years. Actual cash balances in excess of set-aside requirements for textbooks may be used to offset set-aside requirements of future years.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The 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 District paid SCOCA \$3,308 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Career and Technology Center, Tonya Cooper who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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 Career Center 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.

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 District paid \$1,840 to the Council for services provided during the fiscal year.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members.

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

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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.

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 19 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The 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 fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan

The 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-Schuett 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-Schuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Ross County School Employees Insurance Consortium

The 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, Medical Mutual of Ohio. The Consortium's business and affairs are managed by a Council consisting of one representative from 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 43164-9745.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 20 - 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 plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is through and efficient...".

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

NOTE 21 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

Litigation

The District is not party to legal proceedings.

NOTE 22 – SUBSEQUENT EVENTS

On October 10, 2005, the Board of Education approved the purchase of real estate in the amount of \$400,000 for future expansion of the District.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR <i>Pass Through Grantor</i> 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	\$ -	\$ 52,886	\$ -	\$ 52,886
School Breakfast Program	049502-05-PU-2004	10.553	5,496	-	5,496	-
School Breakfast Program	049502-05-PU-2005	10.553	30,627	-	30,627	-
Total School Breakfast Program			36,123	-	36,123	-
National School Lunch Program	049502-LL-P4-2004	10.555	23,754	-	23,754	-
National School Lunch Program	049502-LL-P4-2005	10.555	132,736	-	132,736	-
Total National School Lunch Program			156,490	-	156,490	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE- Child Nutrition Cluster			192,613	52,886	192,613	52,886
U.S. DEPARTMENT OF Education						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	049502-C1-S1-2004	84.010	49,400	-	79,275	-
Title I Grants to Local Educational Agencies	049502-C1-S1-2005	84.010	421,926	-	417,772	-
Total Title I Grants to Local Educational Agencies			471,326	-	497,047	-
Special Education Grants to States	049502-6B-SF-2004	84.027	-	-	5,619	-
Special Education Grants to States	049502-6B-SF-2005	84.027	270,651	-	256,023	-
Total Special Education Grants to States			270,651	-	261,642	-
Safe and Drug Free Schools and Communities State Grant	049502-DR-S1-2004	84.186	(882)	-	2,009	-
Safe and Drug Free Schools and Communities State Grant	049502-DR-S1-2005	84.186	10,763	-	9,437	-
Total Safe and Drug Free Schools and Communities State Grant			9,881	-	11,446	-
Goals 2000_State and Local Education Systematic Improvement Grants	049502-G2-S1-2001	84.276	(4,599)	-	-	-
Goals 2000_State and Local Education Systematic Improvement Grants	049502-G2-S2-2001	84.276	(1,771)	-	-	-
Total Goals 2000_State and Local Education Systematic Improvement Grants			(6,370)	-	-	-
Innovative Educational Program Strategies	049502-C2-S1-2005	84.298	6,462	-	6,462	-
Education Technology State Grants	049502-TJ-S1-2004	84.318	206	-	-	-
Education Technology State Grants	049502-TJ-S1-2005	84.318	10,952	-	9,915	-
Total Education Technology State Grants			11,158	-	9,915	-
Rural Education	049502-RU-S1-2004	84.358	-	-	654	-
Rural Education	049502-RU-S1-2005	84.358	42,019	-	42,019	-
Total Rural Education			42,019	-	42,673	-
Improving Teacher Quality State Grants	049502-TR-S1-2004	84.367	(2,789)	-	19,251	-
Improving Teacher Quality State Grants	049502-TR-S1-2005	84.367	83,415	-	83,415	-
Total Improving Teacher Quality State Grants			80,626	-	102,666	-
TOTAL U.S. DEPARTMENT OF EDUCATION			885,753	-	931,851	-
Total Federal Awards Receipts and Expenditures			1,078,366	52,886	1,124,464	\$52,886

The accompanying notes are an integral part of this schedule.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (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 non-monetary 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 2004 and 2005 grant years for CFDA 84.010 in the amount of \$9,221, for CFDA 84.186 in the amount of \$2,104, for CFDA 84.318 in the amount of \$1,062 and for CFDA 84.367 in the amount of \$7,671.

NOTE D - REFUND OF MONEY

The District refunded \$6,370 in unspent grant monies to the Ohio Department of Education for CFDA 84.276 due to the expiration of the period of availability for the pass through grant numbers G2-S1-2001 and G2-S2-2001.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, the major fund, and the aggregate remaining fund information of Huntington Local School District, Ross County, Ohio, (the District) as of and for the year ended June 30 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 21, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 21, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Huntington Local School District
Ross County
Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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, 2006



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 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 apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Huntington Local School District, Ross County, Ohio complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings and questioned costs as item 2005-001. In a separate letter to the District's management dated March 21, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

March 21, 2006

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

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 noncompliance 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, 2005
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2005-001
CFDA Title and Number	84.010 – Title I Grants to Local Educational Agencies
Federal Award Number / Year	049502-C1-S1-2004
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Period of Availability – Title I- 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, 2004. 34 CFR 76.707 requires that an obligation for personal services by a subgrantee occur when services are performed.

The 2004 Title 1 grant year ended on June 30, 2004. On June 30, 2004, the only obligated costs of the 2004 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 2004 fiscal year were obligated by June 30, 2004 and the entire amount was liquidated by the August 20, 2004 payroll. On September 3, 2004 and September 17, 2004, the District paid employees from the grant year 2004 Title I award. The September 3, 2004 and September 17, 2004 payments were not obligated within the 2004 grant year obligation period which ended June 30, 2004.

Total questioned costs for the expenditures made after the period of availability is nineteen thousand five hundred and ninety nine dollars (\$19,599).

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Cash Management-Title I Non-Compliance: The District did not always spend the funds within the month requested.	No	Partially Corrected- Management has taken steps since the last audit to properly request funds according to cash management guidelines.
2004-002	Period of Availability- Title I Non-Compliance Questioned Cost: Expenditures obligated after the period of availability	No	Not Corrected- See Finding # 2005-001. Management has taken steps to correct this however this issue was prior to the last audit of these funds.
2004-003	Reporting- Title I Non-Compliance: Expenditures were incorrectly reported on the project cash request form and encumbrances were included.	Yes	Corrected



**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 4, 2006**