



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

February 19, 2008

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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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 the Huntington Local School District, Ross County, Ohio, (the District), as of and for the year ended June 30, 2006, 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 the Huntington Local School District, Ross County, Ohio, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, 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 December 14, 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's Discussion and 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 Federal Awards Receipts and Expenditures Schedule is required by the 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 the Federal Awards Receipts and Expenditures Schedule 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.

The accompanying federal awards receipts and expenditures schedule (the schedule) replaces the schedule for the District's fiscal year June 30, 2006, previously issued with our report dated December 14, 2006. The Schedule was revised to include \$128,618 of Special Education Grants to States Program (CFDA 84.027) expenditures which were previously omitted; these expenditures resulted in the Special Education Grants to States being designated as an additional major federal program.

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

Betty Montgomery
Auditor of State

December 14, 2006, except for the preceding paragraph which is dated December 14, 2007

HUNTINGTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(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, 2006. 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, 2006 by \$18,297,995. Of this amount, \$13,856,154 represents capital assets and related debt and net asset amounts restricted for specific purposes. The remaining \$4,441,841 represents unrestricted net assets.
- ▶ In total, net assets of governmental activities decreased by \$260,776, which represents a 1.41 percent decrease from 2005.
- ▶ General revenues accounted for \$9,577,615 or 81.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,197,338 or 18.7 percent of total revenues of \$11,774,953.
- ▶ The District had \$12,035,729 in expenses related to governmental activities; only \$2,197,338 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$9,577,615 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 \$9,510,567 in revenues and \$9,387,525 in expenditures in fiscal year 2006.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)*

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 District'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 15. 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.

HUNTINGTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)*

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.

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 District'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.

HUNTINGTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)*

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 fiscal year 2006 compared to fiscal year 2005:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<u>Assets:</u>		
Current and Other Assets	\$8,180,254	\$7,730,741
Capital Assets, Net	14,367,519	14,942,679
<i>Total Assets</i>	<u>22,547,773</u>	<u>22,673,420</u>
<u>Liabilities:</u>		
Long-Term Liabilities	1,651,767	1,590,489
Other Liabilities	2,598,011	2,524,160
<i>Total Liabilities</i>	<u>4,249,778</u>	<u>4,114,649</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	13,332,736	13,903,915
Restricted	523,418	387,324
Unrestricted	4,441,841	4,267,532
<i>Total Net Assets</i>	<u>\$18,297,995</u>	<u>\$18,558,771</u>

Current and other assets increased \$449,513 from fiscal year 2005 due to an increase in cash and cash equivalents, due primarily to the District getting increased revenue in their governmental funds and maintaining spending at or below the fiscal year 2005 level. Capital assets decreased by only \$575,160 or 3.85 percent, due to current year depreciation expense exceeding additions.

Current (other) liabilities increased by only \$73,851 or 2.93 percent. This is primarily due to an increase in Accrued Wages due to salary increases, increases in Deferred Revenue related to property taxes and a decrease in Intergovernmental Payable due to a decrease in the SERS Ohio surcharge.

Long-term liabilities increased by only \$61,278 or 3.85 percent. This is due to the District initiating several new five year leases for copier equipment during fiscal year 2006.

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. This accounts for 72.86 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.

HUNTINGTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)*

The District's next largest portion of net assets is unrestricted net assets. This accounts for 24.28 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.

The remaining balance of \$523,418 or 2.86 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 2006 and provides a comparison to fiscal year 2005.

Table 2

Changes in Net Assets

	Governmental Activities	
	2006	2005
<u>Revenues:</u>		
<i>Program Revenue:</i>		
Charges for Services and Sales	\$353,121	\$321,144
Operating Grants and Contributions	1,806,584	2,015,173
Capital Grants and Contributions	37,633	0
<i>General Revenue:</i>		
Property Taxes	1,119,143	1,078,060
Unrestricted Grants and Entitlements	8,167,577	7,384,587
Investment Earnings	209,053	87,350
Miscellaneous	81,842	146,992
<i>Total Revenues</i>	<u>11,774,953</u>	<u>11,033,306</u>
<u>Expenses:</u>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	6,482,968	6,484,000
Special	992,107	680,516
Vocational	23,208	27,652
Adult/Continuing	63,668	39,649

(Continued)

HUNTINGTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)*

Table 2
Changes in Net Assets
(Continued)

	2006	2005
<i>Support Services:</i>		
Pupils	332,677	300,942
Instructional Staff	223,853	259,931
Board of Education	21,245	14,020
Administration	785,428	701,576
Fiscal	479,042	454,896
Operation and Maintenance of Plant	1,017,100	1,082,829
Pupil Transportation	777,288	744,951
Operation of Non-Instructional Services	477,703	433,526
Extracurricular Activities	295,753	109,505
Interest and Fiscal Charges	63,689	52,995
<i>Total Expenses</i>	<u>12,035,729</u>	<u>11,386,988</u>
<i>Change in Net Assets</i>	(260,776)	(353,682)
Net Assets – Beginning of Year	<u>18,558,771</u>	<u>18,912,453</u>
Net Assets – End of Year	<u><u>\$18,297,995</u></u>	<u><u>\$18,558,771</u></u>

The most significant program expenses for the District are Regular Instruction, Operation and Maintenance of Plant, Administration, Special Instruction, and Pupil Transportation. These programs account for 83.54 percent of the total governmental activities. Regular Instruction, which accounts for 53.87 percent of the total, represents costs associated with providing general educational services. Operation and Maintenance of Plant, which represents 8.45 percent of the total, represent costs associated with operating and maintaining the District's facilities. Administration, which represents 6.53 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 8.24 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Pupil Transportation, which represents 6.45 percent of the total, represents costs associated with providing transportation services for student between home and school and to school activities.

Total program revenues decreased \$138,979 or 5.95 percent. This decrease is primarily due to a decrease in operating grants and contributions related to the District's reclassification of certain revenues as general revenue due to lessened restrictions on funds.

HUNTINGTON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

(Unaudited)

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 78.87 percent of total revenues.

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 9.47 percent and intergovernmental revenue made up 85.06 percent of the total revenue for the governmental activities in fiscal year 2006.

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 primarily of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2006, the District received \$8,026,812 through the State's foundation program, which represents 68.17 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 62.83 percent of governmental activities program expenses. Support services expenses make up 30.22 percent of governmental activities 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 2006 compared with fiscal year 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

HUNTINGTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)*

Table 3
Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
<i>Program Expenses:</i>				
Instruction	\$7,561,951	\$6,015,809	\$7,231,817	\$5,422,298
Support Services	3,636,633	3,579,014	3,559,145	3,526,707
Operation of Non-Instructional Services	477,703	18,403	433,526	64,869
Extracurricular Activities	295,753	161,476	109,505	(16,198)
Interest and Fiscal Charges	63,689	63,689	52,995	52,995
Total Expenses	<u>\$12,035,729</u>	<u>\$9,838,391</u>	<u>\$11,386,988</u>	<u>\$9,050,671</u>

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 \$11,875,515 and expenditures of \$11,544,298.

The fund balance of the total governmental funds increased by \$331,217. The increase in fund balance for the year was most significant in the General Fund, which increased by \$228,680 during fiscal year 2006. The General Fund increase is the result of increased intergovernmental and interest revenue and a minimal increase in expenditures.

The District should remain stable in fiscal years 2007 through 2009. However, projections beyond fiscal year 2009 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

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 2006, the District amended its General Fund budget two 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.

HUNTINGTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)*

For the General Fund, the final budget basis revenue was \$9,493,501 which represented a \$613,564 increase from the original budget estimates. The final budget basis expenditures were \$11,016,534 representing an increase of \$97,700 from the original budget basis expenditures of \$10,918,834.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the District had \$25,941,651 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles, of which all was in governmental activities. That total carries an accumulated depreciation of \$11,574,132. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005.

Table 4
Capital Assets & Accumulated Depreciation at June 30, 2006

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$369,307	\$369,307
<i>Depreciable Capital Assets:</i>		
Land Improvements	1,145,183	1,124,779
Buildings and Improvements	20,775,764	20,755,794
Furniture, Fixtures and Equipment	2,604,981	2,555,186
Vehicles	1,046,416	1,044,241
<i>Total Capital Assets</i>	<u>25,941,651</u>	<u>25,849,307</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	867,749	768,841
Buildings and Improvements	8,199,720	7,673,378
Furniture, Fixtures and Equipment	1,768,670	1,792,546
Vehicles	737,993	671,863
<i>Total Accumulated Depreciation</i>	<u>11,574,132</u>	<u>10,906,628</u>
Capital Assets, Net	<u>\$14,367,519</u>	<u>\$14,942,679</u>

As stated previously, total capital assets net of accumulated depreciation decreased \$575,160 or 3.85 percent due to current depreciation exceeding additions to capital assets.

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

HUNTINGTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)*

Debt Administration

At June 30, 2006, the District had \$905,000 in general obligation debt outstanding with \$65,000 due within one year. Table 5 summarizes the bonds outstanding for fiscal year 2006 compared to fiscal year 2005.

Table 5

Outstanding Debt, Governmental Activities at Year End

<u>Purpose</u>	<u>2006</u>	<u>2005</u>
1989 School Improvement Bonds	\$55,000	\$80,000
1998 School Improvement Bonds	850,000	890,000
Total	<u>\$905,000</u>	<u>\$970,000</u>

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 increase. However, with 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

Statement of Net Assets

June 30, 2006

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,935,511
Cash and Cash Equivalents With Fiscal Agent	678,624
Property Taxes Receivable	1,225,676
Accounts Receivable	6,467
Intergovernmental Receivable	258,150
Accrued Interest Receivable	9,942
Materials and Supplies Inventory	42,464
Prepaid Items	23,420
Nondepreciable Capital Assets	369,307
Depreciable Capital Assets, Net	13,998,212
	<hr/>
<i>Total Assets</i>	22,547,773
	<hr/>
<u>Liabilities:</u>	
Accounts Payable	29,003
Accrued Wages and Benefits	1,075,984
Intergovernmental Payable	246,096
Accrued Interest Payable	4,823
Deferred Revenue	1,075,100
Claims Payable	167,005
<i>Long-Term Liabilities:</i>	
Due within One Year	175,152
Due in More Than One Year	1,476,615
	<hr/>
<i>Total Liabilities</i>	4,249,778
	<hr/>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	13,332,736
<i>Restricted for:</i>	
Capital Outlay	32
Debt Service	167,930
Other Purposes	212,137
Set Asides	143,319
Unrestricted	4,441,841
	<hr/>
<i>Total Net Assets</i>	\$18,297,995
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See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Expenses					
<u>Governmental Activities:</u>					
<i>Instruction:</i>					
Regular	\$6,482,968	\$41,421	\$654,347	\$0	(\$5,787,200)
Special	992,107	0	850,374	0	(141,733)
Vocational	23,208	0	0	0	(23,208)
Adult/Continuing	63,668	0	0		(63,668)
<i>Support Services:</i>					
Pupils	332,677	0	0	0	(332,677)
Instructional Staff	223,853	0	0	0	(223,853)
Board of Education	21,245	0	0	0	(21,245)
Administration	785,428	0	0	0	(785,428)
Fiscal	479,042	0	0	0	(479,042)
Operation and Maintenance of Plant	1,017,100	0	0	0	(1,017,100)
Pupil Transportation	777,288	0	19,986	37,633	(719,669)
<i>Operation of Non-Instructional Services:</i>					
Food Service	477,703	177,423	281,877	0	(18,403)
Extracurricular Activities	295,753	134,277	0	0	(161,476)
Interest and Fiscal Charges	63,689	0	0	0	(63,689)
Total Governmental Activities	\$12,035,729	\$353,121	\$1,806,584	\$37,633	(9,838,391)
<u>General Revenues:</u>					
<i>Property Taxes Levied for:</i>					
General Purposes					1,003,735
Debt Service					96,186
Capital Outlay					19,222
Grants and Entitlements not Restricted to Specific Programs					8,167,577
Investment Earnings					209,053
Miscellaneous					81,842
Total General Revenues					9,577,615
Change in Net Assets					(260,776)
<i>Net Assets at Beginning of Year</i>					<u>18,558,771</u>
<i>Net Assets at End of Year</i>					<u><u>\$18,297,995</u></u>

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$5,217,380	\$471,014	\$5,688,394
Property Taxes Receivable	1,098,804	126,872	1,225,676
Accounts Receivable	3,776	2,691	6,467
Accrued Interest Receivable	9,942	0	9,942
Interfund Receivable	1,538	0	1,538
Intergovernmental Receivable	0	196,465	196,465
Prepaid Items	23,420	0	23,420
Materials and Supplies Inventory	33,924	8,540	42,464
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	143,319	0	143,319
<i>Total Assets</i>	<u>\$6,532,103</u>	<u>\$805,582</u>	<u>\$7,337,685</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$22,603	\$6,400	\$29,003
Accrued Wages and Benefits	862,532	213,452	1,075,984
Intergovernmental Payable	235,227	10,869	246,096
Interfund Payable	0	1,538	1,538
Deferred Revenue	1,004,795	115,636	1,120,431
<i>Total Liabilities</i>	<u>2,125,157</u>	<u>347,895</u>	<u>2,473,052</u>
<u>Fund Balances:</u>			
Reserved for Encumbrances	90,073	9,069	99,142
Reserved for Property Taxes	94,009	11,236	105,245
Reserved for Prepaid Items	23,420	0	23,420
Reserved for Capital Improvements	105,686	0	105,686
Reserved for Bus Purchases	37,633	0	37,633
<u>Unreserved, Undesignated, Reported in:</u>			
General Fund	4,056,125	0	4,056,125
Special Revenue Funds	0	276,984	276,984
Debt Service Fund	0	160,366	160,366
Capital Projects Funds	0	32	32
<i>Total Fund Balances</i>	<u>4,406,946</u>	<u>457,687</u>	<u>4,864,633</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,532,103</u>	<u>\$805,582</u>	<u>\$7,337,685</u>

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006*

Total Governmental Funds Balances	\$4,864,633
 <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 and therefore are not reported in the funds.	14,367,519
Some of the District's receivables will be collected after fiscal year-end, but 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	45,331
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	(905,000)
Accrued interest on bonds	(4,823)
Capital leases	(130,600)
Compensated absences	<u>(616,167)</u>
Total liabilities not reported in funds	(1,656,590)
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>677,102</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$18,297,995</u></u>

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$999,222	\$114,845	\$1,114,067
Intergovernmental	8,167,529	1,844,265	10,011,794
Interest	209,053	0	209,053
Tuition and Fees	20,145	0	20,145
Rent	6,783	0	6,783
Extracurricular Activities	22,340	111,937	134,277
Charges for Services	21,276	177,423	198,699
Miscellaneous	64,219	10,840	75,059
<i>Total Revenues</i>	<u>9,510,567</u>	<u>2,259,310</u>	<u>11,769,877</u>
<u>Expenditures:</u>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	4,941,004	1,130,240	6,071,244
Special	730,753	228,351	959,104
Vocational	19,144	0	19,144
Adult/Continuing	63,668	0	63,668
<i>Support Services:</i>			
Pupils	299,494	0	299,494
Instructional Staff	205,675	0	205,675
Board of Education	21,297	0	21,297
Administration	794,164	4,162	798,326
Fiscal	464,448	2,592	467,040
Operation and Maintenance of Plant	952,969	18,906	971,875
Pupil Transportation	691,396	0	691,396
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	0	455,565	455,565
Extracurricular Activities	161,106	112,507	273,613
Capital Outlay	0	90,877	90,877
<i>Debt Service:</i>			
Principal Retirement	26,474	65,000	91,474
Interest and Fiscal Charges	15,933	48,573	64,506
<i>Total Expenditures</i>	<u>9,387,525</u>	<u>2,156,773</u>	<u>11,544,298</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>123,042</u>	<u>102,537</u>	<u>225,579</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	105,638	0	105,638
<i>Total Other Financing Sources (Uses)</i>	<u>105,638</u>	<u>0</u>	<u>105,638</u>
<i>Net Change in Fund Balances</i>	228,680	102,537	331,217
<i>Fund Balances at Beginning of Year</i>	<u>4,178,266</u>	<u>355,150</u>	<u>4,533,416</u>
<i>Fund Balances at End of Year</i>	<u><u>\$4,406,946</u></u>	<u><u>\$457,687</u></u>	<u><u>\$4,864,633</u></u>

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT
*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, 2006*

Net Change in Fund Balances - Total Governmental Funds	\$331,217
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(563,439)
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.	(11,721)
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	5,076
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.	91,474
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	817
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.	(105,638)
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: Compensated absences Capital leases traded in	(64,442) <u>17,328</u>
Total expenditures not reported in the funds	(47,114)
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.	<u>38,552</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$260,776)</u></u>

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$1,029,184	\$1,060,523	\$1,008,031	(\$52,492)
Intergovernmental	7,541,357	8,104,292	8,167,529	63,237
Interest	206,286	206,286	206,286	0
Tuition and Fees	23,600	23,600	19,681	(3,919)
Extracurricular Activities	9,000	22,800	22,340	(460)
Rent	7,500	7,500	6,783	(717)
Charges for Services	15,000	20,500	20,356	(144)
Miscellaneous	48,000	48,000	61,827	13,827
<i>Total Revenues</i>	<u>8,879,927</u>	<u>9,493,501</u>	<u>9,512,833</u>	<u>19,332</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	5,936,336	5,949,823	4,940,921	1,008,902
Special	717,800	780,383	723,355	57,028
Vocational	71,500	51,500	19,138	32,362
Adult/Continuing	75,000	75,000	63,668	11,332
<i>Support Services:</i>				
Pupils	346,731	335,014	300,311	34,703
Instructional Staff	259,233	262,359	207,133	55,226
Board of Education	42,500	42,500	22,759	19,741
Administration	819,316	833,716	771,542	62,174
Fiscal	506,700	527,314	475,176	52,138
Operation and Maintenance of Plant	1,200,363	1,198,569	1,024,980	173,589
Pupil Transportation	787,755	801,555	732,214	69,341
Extracurricular Activities	155,600	158,801	157,193	1,608
<i>Total Expenditures</i>	<u>10,918,834</u>	<u>11,016,534</u>	<u>9,438,390</u>	<u>1,578,144</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,038,907)</u>	<u>(1,523,033)</u>	<u>74,443</u>	<u>1,597,476</u>
<u>Other Financing Sources (Uses):</u>				
Advances In	4,300	4,300	4,300	0
Transfers Out	(185,302)	(185,302)	0	185,302
<i>Total Other Financing Sources (Uses)</i>	<u>(181,002)</u>	<u>(181,002)</u>	<u>4,300</u>	<u>185,302</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(2,219,909)</u>	<u>(1,704,035)</u>	<u>78,743</u>	<u>1,782,778</u>
<i>Fund Balance at Beginning of Year</i>	5,112,537	5,112,537	5,112,537	0
Prior Year Encumbrances Appropriated	42,934	42,934	42,934	0
<i>Fund Balance at End of Year</i>	<u>\$2,935,562</u>	<u>\$3,451,436</u>	<u>\$5,234,214</u>	<u>\$1,782,778</u>

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT

Statement of Net Assets

Internal Service Fund

June 30, 2006

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$103,798
Cash and Cash Equivalents with Fiscal Agents	678,624
Intergovernmental Receivable	<u>61,685</u>
<i>Total Current Assets</i>	<u>844,107</u>
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	<u>167,005</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$677,102</u></u>

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT

*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2006*

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
<u>Operating Revenues:</u>	
Charges for Services	<u>\$1,712,754</u>
<i>Total Operating Revenues</i>	<u>1,712,754</u>
<u>Operating Expenses:</u>	
Purchased Services	116,536
Claims	<u>1,557,666</u>
<i>Total Operating Expenses</i>	<u>1,674,202</u>
<i>Change in Net Assets</i>	38,552
<i>Net Assets at Beginning of Year</i>	<u>638,550</u>
<i>Net Assets at End of Year</i>	<u><u>\$677,102</u></u>

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2006

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<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	\$1,712,754
Cash Payments to Suppliers for Goods and Services	(116,536)
Cash Payments for Claims	<u>(1,523,998)</u>
<i>Increase in Cash and Cash Equivalents</i>	72,220
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>710,202</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$782,422</u></u>
<u>Reconciliation of Operating Income to Net Cash from Operating Activities:</u>	
Operating Income	\$38,552
<u>Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:</u>	
Decrease in Intergovernmental Receivable	15,859
Increase in Claims Payable	<u>17,809</u>
<i>Net Cash from Operating Activities</i>	<u><u>\$72,220</u></u>

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$493	\$26,757
	<hr/>	<hr/>
<u>Liabilities:</u>		
<i>Current Liabilities:</i>		
Undistributed Monies	0	26,757
	<hr/>	<hr/>
<i>Total Liabilities</i>	0	\$26,757
	<hr/>	<hr/>
<u>Net Assets:</u>		
Held in Trust for Scholarships	493	
	<hr/>	
<i>Total Net Assets</i>	\$493	
	<hr/>	

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Fund

For the Fiscal Year Ended June 30, 2006

	<u>Private Purpose Trust</u>
<i>Additions</i>	<u>\$0</u>
<i>Deductions:</i>	
Payments in Accordance with Trust Agreements	<u>5,000</u>
<i>Change in Net Assets</i>	(5,000)
<i>Net Assets at Beginning of Year</i>	<u>5,493</u>
<i>Net Assets at End of Year</i>	<u><u>\$493</u></u>

See accompanying notes to the basic financial statements.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 60 non-certificated employees, 97 certificated full-time teaching personnel, and 5 administrative employees who provide services to 1,400 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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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 internal service 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" 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 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 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 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 a self-balancing set of accounts. The funds of the District fall within three categories: governmental, proprietary, and fiduciary.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District accounts for grants and other resources of the District whose use is restricted to a particular purpose, for financial resources to be used for the acquisition, construction or improvement of capital facilities other than those financed by proprietary and trust funds; and for the accumulation of resources for and the replacement of general long-term debt principal, interest and related costs.

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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, the internal service fund is accounted for on a flow of current economic resources measurement focus. All assets and liabilities associated with the operation of this fund is 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 the internal service fund.

The private purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

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 internal service 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.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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, accounts receivable, grants and interest.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 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 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, 2006, is presented as "Cash and Cash Equivalents With Fiscal Agent."

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 2006 amounted to \$209,053, which includes \$20,247 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.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable materials and supplies held for consumption and donated and purchased food. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, 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 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. Any interest incurred during the construction of capital assets is also 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:

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

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 with the District.

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. The District had no such liability as of June 30, 2006.

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 internal service fund are reported on the internal service 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 judgements, compensated absences and special termination 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.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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 federal and state grants restricted to expenditures for specified purposes.

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, prepaids, 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.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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 object level. Any revisions that alter the total of any object appropriations must be approved by the Board of Education.

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 2006.

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.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

NOTE 3 - NEW GASB PRONOUNCEMENTS

For fiscal year 2006, the District implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits". The implementation of GASB Statement No. 42, 46 or 47 had no effect on the disclosure requirements or the prior period fund balances of the District.

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:

HUNTINGTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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.

<u>Net Change in Fund Balance</u>	
Budget Basis	\$78,743
<i>Adjustments:</i>	
Revenue Accruals	(2,266)
Expenditure Accruals	177,311
Encumbrances	(126,446)
Other Sources (Uses)	101,338
GAAP Basis	<u>\$228,680</u>

NOTE 5 - ACCOUNTABILITY

Fund Deficits

Fund balances at June 30, 2006 included the following individual fund deficits:

<i>Nonmajor Special Revenue Funds:</i>	
DPIA	\$4,661
Poverty Based Assistance	12,049
Title I	17,785
Drug-Free Grant	263

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.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 6 - EQUITY IN POOLED CASH AND 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;
- (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

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 6 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all the District deposits were \$6,641,385, which includes \$678,624 cash with fiscal agents. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$5,878,531 of the District's bank balance of \$5,978,531 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 all 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at varying percentages of true value and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value.

Real property taxes are paid by taxpayers annually or semi-annually. If paid annually, payment is due December 31, unless extended; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Beginning in fiscal year 2006, the District began receiving personal property loss reimbursements from the State. These payments are received due to the scheduled elimination of personal property taxes over the next several years.

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, 2006 are available to finance fiscal year 2006 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, 2006. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30, 2006 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, 2006 were \$94,009 for the General Fund, \$1,906 for the Classroom Facilities Maintenance Nonmajor Special Revenue Fund and \$9,330 for the Bond Retirement Nonmajor Debt Service Fund.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 7 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$45,454,160	91.56%	\$46,747,420	92.19%
Public Utility Personal	3,515,050	7.08%	3,554,790	7.01%
Tangible Personal Property	673,810	1.36%	406,470	0.80%
Total Assessed Value	<u>\$49,643,020</u>	<u>100.00%</u>	<u>\$50,708,680</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$31.00		\$31.00

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes, intergovernmental grants, accounts (student fees) 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 School Employees 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. The Internal Service Fund receivable is considered to be fully collectible, although the total amount may not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<i>Governmental Activities</i>	
<i>Nonmajor Special Revenue Funds:</i>	
Title VI-B	\$143,880
Title I	31,782
Innovative Programs	45
Improving Teacher Quality	10,590
Title II-D	10,168
Total Nonmajor Special Revenue Funds	196,465
Internal Service Fund	61,685
Total Intergovernmental Receivables	<u>\$258,150</u>

HUNTINGTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

NOTE 9 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2006 was as follows:

<u>Asset Category</u>	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$369,307	\$0	\$0	\$369,307
<i>Depreciable Capital Assets:</i>				
Land Improvements	1,124,779	20,404	0	1,145,183
Buildings and Improvements	20,755,794	19,970		20,775,764
Furniture, Fixtures and Equipment	2,555,186	178,680	(128,885)	2,604,981
Vehicles	1,044,241	2,175	0	1,046,416
Total Depreciable Capital Assets	25,480,000	221,229	(128,885)	25,572,344
Total Capital Assets	25,849,307	221,229	(128,885)	25,941,651
<i>Accumulated Depreciation:</i>				
Land Improvements	(768,841)	(98,908)	0	(867,749)
Buildings and Improvements	(7,673,378)	(526,342)	0	(8,199,720)
Furniture, Fixtures and Equipment	(1,792,546)	(93,288)	117,164	(1,768,670)
Vehicles	(671,863)	(66,130)	0	(737,993)
Total Accumulated Depreciation	(10,906,628)	(784,668)	117,164	(11,574,132)
Total Capital Assets, Net	<u>\$14,942,679</u>	<u>(\$563,439)</u>	<u>(\$11,721)</u>	<u>\$14,367,519</u>

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$424,026
Special	33,369
Vocational	4,120
<i>Support Services:</i>	
Pupils	16,824
Instructional Staff	19,932
Administration	60,870
Fiscal	5,270
Operation and Maintenance of Plant	91,481
Pupil Transportation	81,262
Operation of Non-Instructional Services	24,493
Extracurricular Activities	23,021
Total Depreciation Expense	<u><u>\$784,668</u></u>

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 2006, 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)	\$29,857,549
Inland Marine Coverage (\$500 deductible)	19,600
Musical Instruments (\$500 deductible)	77,333
Automobile Liability (\$500 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 10 - RISK MANAGEMENT - (Continued)

During fiscal year 2006, 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	3,000,000
Employment Practices Injury Limit	1,000,000
Employment Practices Injury Aggregate Limit	3,000,000

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

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 10 - RISK MANAGEMENT - (Continued)

For fiscal year 2006, 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 Plan 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 \$167,005 reported at June 30, 2006 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 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:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2005	\$134,424	\$1,069,234	\$1,054,462	\$149,196
2006	149,196	1,557,666	1,539,857	167,005

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, by calling (614) 222-5853 or by visiting the SERS website at ohsers.org.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 2006, 10.58 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, 2006, 2005, and 2004 were \$147,528, \$125,128, and \$107,805, respectively; 50 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$73,694 representing the unpaid contribution for fiscal year 2006, 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, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by 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.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 14 percent. For fiscal year 2006, 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, 2006, 2005, and 2004 were \$678,459, \$649,799, and \$610,003, respectively; 83.32 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$113,193 representing the unpaid contribution for fiscal year 2006, is recorded as a liability on the statement of net assets.

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, 2006, four 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 retirees who participate in the DB or combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$52,189 during fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005 (the latest information year available). For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, medicare eligibility and retirement status.

For fiscal year 2005 (the latest information year available), employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay has been established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. 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.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2005, (the latest information available) were \$178,221,113 and the target level was \$267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. The number of participants eligible to receive health care benefits is approximately 58,123. For the District, the amount to fund health care benefits, including the surcharge, equaled \$197,080 during the 2006 fiscal year.

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-half 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 55 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 2006, 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during the 2006 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2005	Additions	Deductions	Principal Outstanding at June 30, 2006	Amount Due In One Year
<i>Governmental Activities:</i>							
School Improvement Bonds	1989	6.40%	\$80,000	\$0	\$25,000	\$55,000	\$25,000
School Improvement Bonds	1998	5.15%	890,000	0	40,000	850,000	40,000
Total General Obligation Bonds			970,000	0	65,000	905,000	65,000
Compensated Absences Payable		N/A	551,725	174,362	109,920	616,167	77,931
Capital Leases Payable		7.50 - 10.00%	68,764	105,638	43,802	130,600	32,221
Total Governmental Activities Long-Term Obligations			<u>\$1,590,489</u>	<u>\$280,000</u>	<u>\$218,722</u>	<u>\$1,651,767</u>	<u>\$175,152</u>

1989 School Improvement Bonds - In 1989, the District issued \$310,000 in voted general obligation bonds for the construction of a new building at an interest rate of 6.40%. 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 at an interest rate of 5.15% 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 Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The District's voted legal debt margin was \$3,658,781 with an unvoted debt margin of \$50,709 at June 30, 2006.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2006 are as follows:

Year Ending June 30	General Obligation Bonds
2007	\$111,611
2008	112,668
2009	83,475
2010	81,338
2011	84,200
2012-2016	409,186
2017-2021	411,909
Total Principal & Interest	1,294,387
Less: Interest	389,387
Total Principal	<u>\$905,000</u>

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years and the current year, 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 \$170,512 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 2006 totaled \$26,474 and were paid from the General Fund. The District also had \$17,328 of capital lease trade-ins during fiscal year 2006 which reduced the liability amount.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

The assets acquired through capital leases as of June 30, 2006, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Asset:			
Copier Equipment	\$170,512	\$53,798	\$116,714

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, 2006:

<u>Fiscal Year Ending June 30</u>	<u>Total Payments</u>
2007	\$42,348
2008	42,147
2009	39,989
2010	26,414
2011	2,142
Total	153,040
Less: Amount Representing Interest	(22,440)
Present Value of Net Minimum Lease Payments	<u>\$130,600</u>

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2006, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>General Fund</i>	\$1,538	\$0
<i>Nonmajor Special Revenue Fund:</i>		
Drug Free Schools Grant	0	1,538
Total	<u>\$1,538</u>	<u>\$1,538</u>

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. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 2006:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Totals</u>
Set-Aside Balance as of July 1, 2005	\$2,270	\$132,479	\$134,749
Current Year Set-Aside Requirement	192,633	192,633	385,266
Qualifying Disbursements	<u>(212,130)</u>	<u>(219,426)</u>	<u>(431,556)</u>
Total	<u>(17,227)</u>	<u>105,686</u>	<u>88,459</u>
Set-Aside Balance as of June 30, 2006	<u>\$0</u>	<u>\$105,686</u>	
Total Restricted Assets			<u>\$105,686</u>

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.

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 \$7,899 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, 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.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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.

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.

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.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

For Members with Ohio Plan policies renewing after November 1, 2004.

Risk Pool Membership

The school belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$952,191	\$850,065
Liabilities	<u>213,419</u>	<u>509,558</u>
Members Equity	<u><u>\$738,772</u></u>	<u><u>\$340,507</u></u>

You can read the complete audited financial statements for the Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

HUNTINGTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 19 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS - (Continued)

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 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.

NOTE 20 - 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, 2006.

Litigation

The District is not party to legal proceedings.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006

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:						
School Breakfast Program	049502-05-PU-2005	10.553	\$ 5,784	\$ -	\$ 5,784	\$ -
School Breakfast Program	049502-05-PU-2006	10.553	35,561	-	35,561	-
Total School Breakfast Program			41,345	-	41,345	-
National School Lunch Program	049502-LL-P4-2005	10.555	26,647	-	26,647	-
National School Lunch Program	049502-LL-P4-2006	10.555	158,433	-	158,433	-
Total National School Lunch Program			185,080	-	185,080	-
Total Child Nutrition Cluster			226,425	-	226,425	-
Team Nutrition Training Grants	049502-TW-NT-2004	10.574	490	-	490	-
Food Donation (See Note "B")	N/A	10.550	-	45,585	-	45,585
TOTAL U.S. DEPARTMENT OF AGRICULTURE			226,915	45,585	226,915	45,585
U.S. DEPARTMENT OF Education						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	049502-C1-S1-2005	84.010	23,693	-	27,846	-
Title I Grants to Local Educational Agencies	049502-C1-S1-2006	84.010	446,264	-	432,359	-
Total Title I Grants to Local Educational Agencies			469,957	-	460,205	-
Special Education Grants to States	049502-6B-SF-2005	84.027	6,011	-	20,640	-
Special Education Grants to States	049502-6B-SF-2006	84.027	211,703	-	326,457	-
Total Special Education Grants to States			217,714	-	347,097	-
Safe and Drug Free Schools and Communities State Grant	049502-DR-S1-2005	84.186	(1,325)	-	-	-
Safe and Drug Free Schools and Communities State Grant	049502-DR-S1-2006	84.186	10,250	-	8,975	-
Total Safe and Drug Free Schools and Communities State Grant			8,925	-	8,975	-
Goals 2000_State and Local Education Systematic Improvement Grants	049502-G2-S2-2001	84.276	-	-	500	-
Innovative Educational Program Strategies	049502-C2-S1-2006	84.298	4,141	-	3,523	-
Education Technology State Grants	049502-TJ-S1-2005	84.318	163	-	1,200	-
Education Technology State Grants	049502-TJ-S1-2006	84.318	10,351	-	9,644	-
Total Education Technology State Grants			10,514	-	10,844	-
Rural Education	049502-RU-S1-2005	84.358	973	-	486	-
Rural Education	049502-RU-S1-2006	84.358	25,728	-	20,599	-
Total Rural Education			26,701	-	21,085	-
Improving Teacher Quality State Grants	049502-TR-S1-2005	84.367	16,663	-	9,789	-
Improving Teacher Quality State Grants	049502-TR-S1-2006	84.367	86,975	-	80,535	-
Total Improving Teacher Quality State Grants			103,638	-	90,324	-
TOTAL U.S. DEPARTMENT OF EDUCATION			841,590	-	942,553	-
Total Federal Awards Receipts and Expenditures			<u>\$ 1,068,505</u>	<u>\$ 45,585</u>	<u>\$ 1,169,468</u>	<u>\$ 45,585</u>

The accompanying notes are an integral part of this schedule.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2006**

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 – DONATED FOODS PROGRAM

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - TRANSFERS DUE TO ODE ADMINISTRATIVE ACTION

The District transferred between the 2005 grant award to the 2006 grant award during fiscal year 2006 for the following: CFDA #'s 84.010-\$112,471, 84.027-\$17,390, 84.186-\$2,699, and 84.318-\$1,136. However, the transfer of \$2,699 for CFDA #84.186 was offset by a \$1,374 receipt received during fiscal year 2006, which resulted in the negative receipt on the federal schedule for CFDA #84.186 of (\$1,325). This was due to the revised Comprehensive Continuous Improvement Plan Strategy (CCIP) as of July, 2002 which is an attempt to promote consistency between fiscal periods, allows the local agencies to manage one Ohio Department of Education project at a time, and eliminates refunds to Ohio Department of Education.

NOTE E – SCHOOLWIDE PROGRAM

The District currently operates a schoolwide program for their Title I funds in the Elementary and Middle schools.

NOTE F – CORRECTION TO FEDERAL AWARDS RECEIPTS AND EXPENDITURE SCHEDULE

The accompanying Federal Awards Expenditures Schedule has been reissued. The Schedule includes \$128,618 of Special Education Grants to States which were previously omitted.



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 the Huntington Local School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 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 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 December 14, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 December 14, 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 the audit committee, management, 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

December 14, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Huntington Local School District, Ross County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs. 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 programs for the year ended June 30, 2006. In a separate letter to the District's management dated December 14, 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 major federal programs 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.

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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. In a separate letter to the District's management dated December 14, 2006, we reported an other matter involving internal control over federal compliance not requiring inclusion in this report.

The accompanying federal awards receipts and expenditures schedule (the schedule) replaces the schedule for the District's fiscal year June 30, 2006, previously issued with our report dated December 14, 2006. The Schedule was revised to include \$128,618 of Special Education Grants to States Program (CFDA 84.027) expenditures which were previously omitted; these expenditures resulted in the Special Education Grants to States being designated as an additional major federal program.

We intend this report solely for the information and use of the audit committee, management, 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

December 14, 2006, except for the second preceding paragraph which is dated December 14, 2007

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

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?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grant to Local Educational Agencies (CFDA #84.010) Special Education Grants to States (CFDA# 84.027)
<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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Period of Availability- Title I-Non-Compliance Questioned Cost: Expenditures obligated after the period of availability.	Yes	



Mary Taylor, CPA
Auditor of State

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
MARCH 6, 2008