

HURON CITY SCHOOL DISTRICT

Erie County, Ohio

Single Audit

July 1, 2012 to June 30, 2013

Fiscal Year Audited Under GAGAS: 2013



Caudill & Associates, CPA

P.O. Box 751
South Shore, KY 41175



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Huron City School District, Erie County, prepared by Caudill & Associates, CPAs, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 10, 2014

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

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Caudill & Associates, CPA

P.O. Box 751, South Shore, KY 41175

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INDEPENDENT AUDITOR'S REPORT

Huron City School District
Erie County
712 Cleveland Road East
Huron, Ohio 44839

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron City School District, Erie County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Huron City School District, Erie County, Ohio, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of Governmental Accounting Standards Board Statements No. 14 and No. 34, Governmental Accounting Standards Board Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements, Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities, and Governmental Accounting Standards Board Statement No. 66, Technical Corrections-2012. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Canill & Associates, CPA

March 31, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The management's discussion and analysis of the Huron City School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position of governmental activities decreased \$478,028.
- General revenues accounted for \$15,105,324 in revenue or 85.91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,478,098 or 14.09% of total revenues of \$17,583,422.
- The District had \$18,061,450 in expenses related to governmental activities; only \$2,478,098 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,105,324 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$15,086,143 in revenues and \$15,866,272 in expenditures. During fiscal year 2013, the general fund's fund balance decreased \$780,129 from a balance of \$7,267,695 to a balance of \$6,487,566.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* 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. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is the most significant fund, and the only governmental fund reported as a major fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. 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 fund. The District's major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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. These notes to the basic financial statements can be found on pages 22-52 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2013 and 2012. The net position of the District at June 30, 2012 has been restated as described in Note 3.A.

	Net Position	
	Governmental Activities 2013	(restated) Governmental Activities 2012
<u>Assets</u>		
Current and other assets	\$ 17,456,969	\$ 18,720,070
Capital assets, net	<u>8,037,678</u>	<u>8,454,025</u>
Total assets	<u>25,494,647</u>	<u>27,174,095</u>
Deferred outflows	<u>115,435</u>	<u>124,731</u>
Total assets and deferred outflows	<u>25,610,082</u>	<u>27,298,826</u>
<u>Liabilities</u>		
Current liabilities	1,445,921	1,745,063
Long-term liabilities	<u>8,373,122</u>	<u>9,223,899</u>
Total liabilities	<u>9,819,043</u>	<u>10,968,962</u>
Deferred outflows	<u>8,161,309</u>	<u>8,222,106</u>
Total liabilities and deferred inflows	<u>17,980,352</u>	<u>19,191,068</u>
Net investment in capital assets	3,752,939	3,684,186
Restricted	459,315	562,833
Unrestricted	<u>3,417,476</u>	<u>3,860,739</u>
Total net position	<u>\$ 7,629,730</u>	<u>\$ 8,107,758</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$7,629,730. Of this total, \$459,315 is restricted in use.

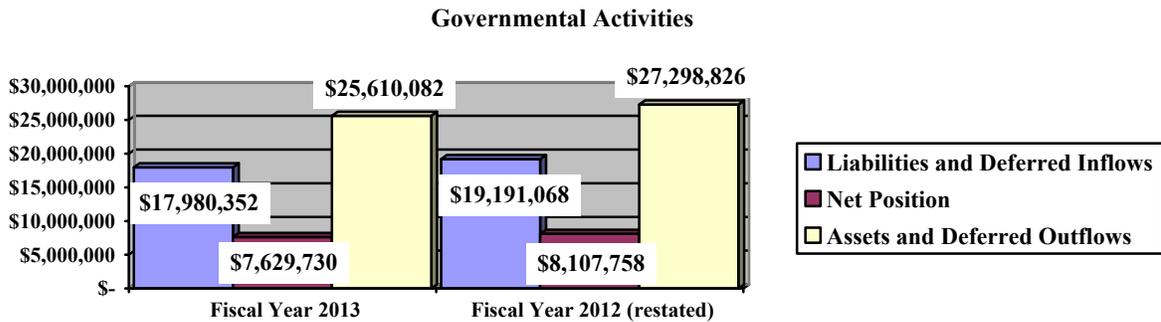
**HURON CITY SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

At year-end, capital assets represented 31.53% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2013, was \$3,752,939. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$459,315, represents resources that are subject to external restriction on how they may be used. The District had a remaining balance of unrestricted net position of \$3,417,476 that may be used to meet the District's obligation to the students and creditors.

The graph below presents the District's governmental activities assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2013 and June 30, 2012. The net position of the District at June 30, 2012 has been restated as described in Note 3.A.



The table below shows the change in net position for fiscal year 2013 and 2012. The net position of the District at June 30, 2012 has been restated as described in Note 3.A.

Change in Net Position

	Governmental Activities 2013	Governmental Activities 2012
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,307,944	\$ 1,148,315
Operating grants and contributions	1,058,178	1,021,056
Capital grants and contributions	111,976	79,014
General revenues:		
Property taxes	10,207,323	10,026,901
Payments in lieu of taxes	129,156	85,327
Grants and entitlements	4,681,608	5,004,863
Investment earnings	23,774	32,465
Other	192,619	112,473
Total revenues	17,712,578	17,510,414

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Change in Net Position (continued)	
	(restated)	
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,772,850	\$ 7,406,308
Special	2,147,824	2,157,335
Other	106,454	109,043
Support services:		
Pupil	678,122	644,300
Instructional staff	669,994	718,931
Board of education	83,017	43,398
Administration	1,716,149	1,713,520
Fiscal	563,157	542,557
Business	-	47,957
Operations and maintenance	1,311,617	1,360,665
Pupil transportation	907,662	984,171
Food service operations	656,923	665,873
Other non-instructional services	291,185	281,649
Extracurricular activities	815,668	842,853
Intergovernmental pass through	4,476	5,104
Interest and fiscal charges	336,352	343,841
Bond issuance costs	-	151,411
Total expenses	<u>18,061,450</u>	<u>18,018,916</u>
Change in net assets	(478,028)	(508,502)
Net assets at beginning of year	<u>8,107,758</u>	<u>8,616,260</u>
Net assets at end of year	<u>\$ 7,629,730</u>	<u>\$ 8,107,758</u>

Governmental Activities

Net position of the District's governmental activities decreased \$478,028. Total governmental expenses of \$18,061,450 were offset by program revenues of \$2,478,098 and general revenues of \$15,105,324. Program revenues supported 13.72% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 84.68% of total governmental revenue. Real estate property is reappraised every six years.

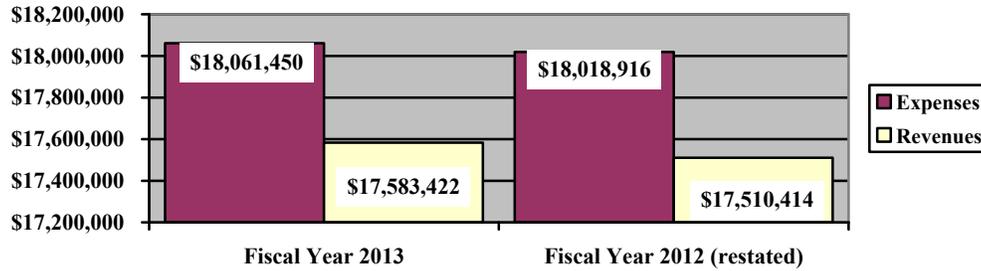
The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,027,128 or 55.52% of total governmental expenses for fiscal year 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012. The expenses of the District at June 30, 2012 have been restated as described in Note 3.A.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The expenses of the District at June 30, 2012 have been restated as described in Note 3.A.

Governmental Activities

	Governmental Activities		Governmental Activities	
	Total Cost of Services 2013	Net Cost of Services 2013	(restated) Total Cost of Services 2012	(restated) Net Cost of Services 2012
Program expenses				
Instruction:				
Regular	\$ 7,772,850	\$ 7,131,638	\$ 7,406,308	\$ 6,943,647
Special	2,147,824	1,770,108	2,157,335	1,881,075
Other	106,454	42,454	109,043	45,043
Support services:				
Pupil	678,122	579,545	644,300	574,249
Instructional staff	669,994	652,984	718,931	663,879
Board of education	83,017	83,017	43,398	43,398
Administration	1,716,149	1,641,633	1,713,520	1,656,912
Fiscal	563,157	556,482	542,557	507,645
Business	-	-	47,957	47,957
Operations and maintenance	1,311,617	1,203,696	1,360,665	1,219,997
Pupil transportation	907,662	828,186	984,171	944,981
Food service operations	656,923	86,240	665,873	45,143
Other non-instructional services	291,185	141,070	281,649	130,275
Extracurricular activities	815,668	525,471	842,853	565,974
Intergovernmental pass through	4,476	4,476	5,104	5,104
Interest and fiscal charges	336,352	336,352	343,841	343,841
Bond issuance costs	-	-	151,411	151,411
Total	<u>\$ 18,061,450</u>	<u>\$ 15,583,352</u>	<u>\$ 18,018,916</u>	<u>\$ 15,770,531</u>

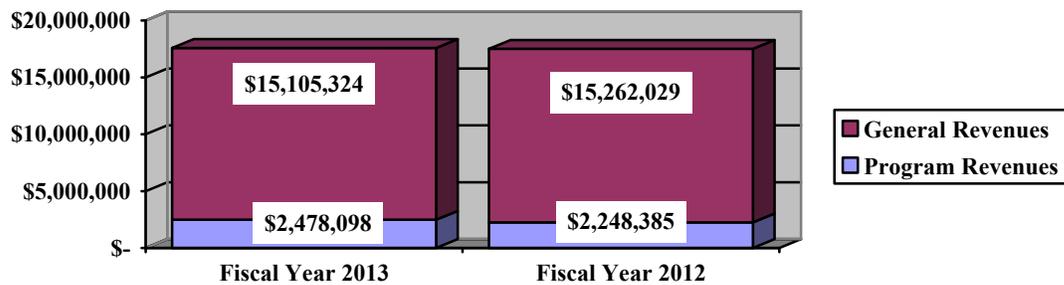
**HURON CITY SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The dependence upon tax and other general revenues for governmental activities is apparent; 89.20% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.28%. The District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on page 15) reported a combined fund balance of \$7,062,240 which is lower than last year's balance of \$7,798,385. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Increase (Decrease)
General	\$ 6,487,566	\$ 7,267,695	\$ (780,129)
Other Governmental	574,674	530,690	43,984
Total	<u>\$ 7,062,240</u>	<u>\$ 7,798,385</u>	<u>\$ (736,145)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

General Fund

The District's general fund's fund balance decreased by \$780,129.

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 9,501,584	\$ 9,341,006	\$ 160,578	1.72 %
Tuition	586,460	399,235	187,225	46.90 %
Earnings on investments	28,138	31,675	(3,537)	(11.17) %
Intergovernmental	4,645,666	4,877,431	(231,765)	(4.75) %
Other revenues	<u>324,295</u>	<u>247,210</u>	<u>77,085</u>	31.18 %
Total	<u>\$ 15,086,143</u>	<u>\$ 14,896,557</u>	<u>\$ 189,586</u>	1.27 %
<u>Expenditures</u>				
Instruction	\$ 9,458,102	\$ 8,963,267	\$ 494,835	5.52 %
Support services	5,538,929	5,561,159	(22,230)	(0.40) %
Operation of non-instructional services	116,835	115,405	1,430	1.24 %
Extracurricular activities	446,986	443,324	3,662	0.83 %
Capital outlay	-	105,156	(105,156)	(100.00) %
Debt service	<u>305,420</u>	<u>282,564</u>	<u>22,856</u>	8.09 %
Total	<u>\$ 15,866,272</u>	<u>\$ 15,470,875</u>	<u>\$ 395,397</u>	2.56 %

Revenues of the general fund increased \$189,586 or 1.27%. The most significant increase was in the area of tuition. Tuition increased \$187,225 or 46.90% due mainly to the new open enrollment into the district. Earnings on investments decreased \$3,537 or 11.17% due to a decrease in interest rates earned on investments. Other revenues increased \$77,085 or 31.18% due mainly to an increase in miscellaneous receipts of in school suspensions, jury duty, etc. All other revenues remained comparable to prior years.

Expenditures of the general fund increased \$395,397 or 2.56%. The most significant increases were in the areas of instruction and debt service. Instructional expenditures increased \$494,835 or 5.52% due mainly to an increase in teachers' salaries and benefits. The \$105,156 or 100.00% decrease in capital outlay expenditures was due to a new lease purchase agreement acquired by the District in the prior year. Debt service expenditures increased \$22,856 or 8.09% due to the expense of a full year of payments of the lease purchase agreement acquired in fiscal year 2012. All other expenditures remained comparable to prior years.

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues were \$15,350,000, which was higher than the original budgeted revenues estimate of \$14,360,000. Actual revenues and other financing sources for fiscal year 2013 were \$15,064,787. This represents a \$285,213 decrease from final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

General fund original appropriations (appropriated expenditures plus other financing uses) of \$18,270,682 were increased to \$21,270,682 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$16,964,170, which was \$4,306,512 less than the final budget appropriations. This difference is due to the District's conservative budgeting method.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$8,037,678 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2013 balances compared to June 30, 2012:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 481,741	\$ 481,741
Land improvements	595,003	624,346
Building and improvements	6,378,539	6,646,562
Furniture and equipment	402,307	479,313
Vehicles	<u>180,088</u>	<u>222,063</u>
Total	<u>\$ 8,037,678</u>	<u>\$ 8,454,025</u>

Total additions to capital assets for fiscal year 2013 were \$48,508. The overall decrease in capital assets of \$416,347 is primarily due to the additions not exceeding the recording of \$464,855 in depreciation expense for fiscal year 2013.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2013, the District had \$7,325,383 in general obligation bonds and lease-purchase agreements outstanding. Of this total, \$741,276 is due within one year and \$6,584,107 is due in greater than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The following table summarizes the bonds and lease purchase agreements outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
General obligation bonds - Series 2007	\$ 2,990,846	\$ 3,133,033
HB 264 general obligation bonds - Series 2008	1,265,000	1,355,000
Lease-purchase agreements	<u>3,069,537</u>	<u>3,516,525</u>
Total	<u>\$ 7,325,383</u>	<u>\$ 8,004,558</u>

At June 30, 2013, the District's overall legal debt margin was \$25,194,859, and the unvoted debt margin was \$319,680. See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

During fiscal year 2013, the District saw the full collection of its levies. The District continues to monitor its programs and enrollment adjusting it as necessary. The District forecasts call for relatively stable enrollment with some decline, 10%, through the next ten years. In fiscal year 2013 the District's enrollment was 47 students better than forecast but down 120 from last fiscal year, 88 were a result of open enrollment. That is up 3 from last year; however the remaining were increases in children whose families reside in the District. The District revises its five year forecast twice annually or if significant change occurs. This is done to reflect new enrollment, staffing and revenue models. Because of changes in State funding, particularly the tangible personal property tax reimbursement and possible phase out of the State guarantee, the District will need new tax monies by the end of fiscal year 2015.

The District, after a number of years of facility upgrades and equipment purchases, chose to have a minimal amount of capital expenditures during the year. This enabled the replenishment of the permanent improvement fund.

The District was rated as Excellent for the 2012-2013 School Year. All 26 of the State's 26 indicators were met and the District's Performance Index of 103.6 was the highest ever recorded in Erie County.

The District has been sued by the former Superintendent who was terminated during fiscal year 2013. While the defense and certain damages are covered by insurance there are areas where there is no insurance coverage. It is too early in process to determine the merits of said lawsuits and if the former Superintendent will prevail.

The District is in the process of hiring a new Superintendent and that should be completed early in the next fiscal year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 questions about this report or need additional financial information contact Mr. Michael Weis, Treasurer, Huron City School District, 712 Cleveland Road E, Huron, Ohio 44839-1871. This report and other financial data is also posted on the District's Web Site (www.Huron-City.k12.oh.us) under the Treasurer's Section.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,374,858
Cash in segregated accounts	9,141
Receivables:	
Property taxes	10,863,403
Accounts.	52,400
Accrued interest	4,325
Intergovernmental	116,213
Prepayments	4,873
Materials and supplies inventory.	9,508
Loan receivable	22,248
Capital assets:	
Nondepreciable capital assets	481,741
Depreciable capital assets, net.	7,555,937
Capital assets, net	<u>8,037,678</u>
Total assets.	<u>25,494,647</u>
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	<u>115,435</u>
 Liabilities:	
Accounts payable.	34,095
Accrued wages and benefits payable	1,044,688
Pension obligation payable.	293,189
Intergovernmental payable	46,345
Accrued interest payable	27,604
Long-term liabilities:	
Due within one year.	899,127
Due in more than one year.	7,473,995
Total liabilities	<u>9,819,043</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	<u>8,161,309</u>
 Net position:	
Net investment in capital assets	3,752,939
Restricted for:	
Capital projects	198,476
Debt service.	142,320
State funded programs.	50,601
Federally funded programs	41,289
Other purposes	26,629
Unrestricted.	3,417,476
Total net position	<u>\$ 7,629,730</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 7,772,850	\$ 587,824	\$ 27,532	\$ 25,856	\$ (7,131,638)
Special	2,147,824	62,937	314,779	-	(1,770,108)
Other	106,454	-	64,000	-	(42,454)
Support services:					
Pupil.	678,122	-	98,577	-	(579,545)
Instructional staff.	669,994	-	17,010	-	(652,984)
Board of education.	83,017	-	-	-	(83,017)
Administration	1,716,149	-	65,932	8,584	(1,641,633)
Fiscal.	563,157	-	587	6,088	(556,482)
Operations and maintenance	1,311,617	54,412	7,200	46,309	(1,203,696)
Pupil transportation.	907,662	-	54,337	25,139	(828,186)
Operation of non-instructional services:					
Other non-instructional services	291,185	-	150,115	-	(141,070)
Food service operations.	656,923	315,459	255,224	-	(86,240)
Extracurricular activities	815,668	287,312	2,885	-	(525,471)
Intergovernmental pass through	4,476	-	-	-	(4,476)
Interest and fiscal charges	336,352	-	-	-	(336,352)
Total governmental activities	\$ 18,061,450	\$ 1,307,944	\$ 1,058,178	\$ 111,976	(15,583,352)
General revenues:					
Property taxes levied for:					
General purposes.					9,386,962
Debt service					312,451
Capital outlay.					378,754
Payments in lieu of taxes					129,156
Grants and entitlements not restricted					
to specific programs					4,681,608
Investment earnings.					23,774
Miscellaneous					192,619
Total general revenues					15,105,324
Change in net position					(478,028)
Net position at beginning of year (restated).					8,107,758
Net position at end of year.					\$ 7,629,730

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 5,552,163	\$ 796,066	\$ 6,348,229
Cash in segregated accounts	9,141	-	9,141
Receivables:			
Property taxes	10,210,135	653,268	10,863,403
Accounts	45,367	7,033	52,400
Accrued interest	4,325	-	4,325
Interfund loans	425,571	-	425,571
Intergovernmental	2,311	113,902	116,213
Prepayments	4,873	-	4,873
Materials and supplies inventory	-	9,508	9,508
Loan receivable	22,248	-	22,248
Restricted assets:			
Equity in pooled cash and cash equivalents	26,629	-	26,629
Total assets.	<u>\$ 16,302,763</u>	<u>\$ 1,579,777</u>	<u>\$ 17,882,540</u>
Liabilities:			
Accounts payable	\$ 32,329	\$ 1,766	\$ 34,095
Accrued wages and benefits payable	1,042,866	1,822	1,044,688
Compensated absences payable	40,608	3,596	44,204
Pension obligation payable	278,775	14,414	293,189
Interfund loans payable	-	425,571	425,571
Intergovernmental payable	46,345	-	46,345
Total liabilities	<u>1,440,923</u>	<u>447,169</u>	<u>1,888,092</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	7,673,480	487,829	8,161,309
Delinquent property tax revenue not available	697,394	42,271	739,665
Accrued interest not available	1,089	-	1,089
Intergovernmental revenue not available	2,311	27,834	30,145
Total deferred inflows of resources.	<u>8,374,274</u>	<u>557,934</u>	<u>8,932,208</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory	-	9,508	9,508
Prepays	4,873	-	4,873
Restricted:			
Debt service	-	418,677	418,677
Capital improvements	-	252,346	252,346
Non-public schools	-	34,785	34,785
Public school preschool	-	2	2
Special education	-	9,934	9,934
Targeted academic assistance	-	3,521	3,521
Other purposes	-	15,814	15,814
School bus purchases	26,629	-	26,629
Assigned:			
Student instruction	203,262	-	203,262
Student and staff support	143,181	-	143,181
Extracurricular activities	4,790	-	4,790
Public school support	31,716	-	31,716
Subsequent year appropriations	3,279,604	-	3,279,604
Other purposes	58,447	-	58,447
Unassigned (deficit)	2,735,064	(169,913)	2,565,151
Total fund balances	<u>6,487,566</u>	<u>574,674</u>	<u>7,062,240</u>
Total liabilities, deferred inflows and fund balances. \$	<u>16,302,763</u>	<u>\$ 1,579,777</u>	<u>\$ 17,882,540</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances		\$	7,062,240
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			8,037,678
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	739,665	
Accrued interest receivable		1,089	
Intergovernmental receivable		30,145	
Total		770,899	770,899
Unamortized premiums on bonds issued are not recognized in the funds.			(238,747)
Unamortized amounts on refundings are not recognized in the funds.			115,435
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(27,604)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		4,255,846	
Lease purchase agreements		3,069,537	
Compensated absences		764,788	
Total		(8,090,171)	(8,090,171)
Net position of governmental activities		\$	7,629,730

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 9,501,584	\$ 700,216	\$ 10,201,800
Payment in lieu of taxes	-	129,156	129,156
Tuition	586,460	-	586,460
Earnings on investments	28,138	187	28,325
Charges for services	-	315,459	315,459
Extracurricular	12,963	274,349	287,312
Classroom materials and fees	61,948	-	61,948
Rental income	54,412	-	54,412
Contributions and donations	21,186	24,475	45,661
Other local revenues	173,786	90,398	264,184
Intergovernmental - State	4,645,666	304,843	4,950,509
Intergovernmental - Federal	-	769,817	769,817
Total revenues	<u>15,086,143</u>	<u>2,608,900</u>	<u>17,695,043</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,593,685	57,674	7,651,359
Special	1,823,421	281,696	2,105,117
Other	40,996	63,998	104,994
Support services:			
Pupil	578,729	93,924	672,653
Instructional staff	646,024	16,601	662,625
Board of education	83,017	-	83,017
Administration	1,661,959	72,812	1,734,771
Fiscal	545,169	7,587	552,756
Operations and maintenance	1,198,433	61,105	1,259,538
Pupil transportation	825,598	29,262	854,860
Operation of non-instructional services:			
Other non-instructional services	116,835	174,285	291,120
Food service operations	-	624,782	624,782
Extracurricular activities	446,986	352,956	799,942
Debt service:			
Principal retirement	218,213	523,775	741,988
Interest and fiscal charges	87,207	199,983	287,190
Intergovernmental pass through	-	4,476	4,476
Total expenditures	<u>15,866,272</u>	<u>2,564,916</u>	<u>18,431,188</u>
Net change in fund balances	(780,129)	43,984	(736,145)
Fund balances at beginning of year	<u>7,267,695</u>	<u>530,690</u>	<u>7,798,385</u>
Fund balances at end of year	<u>\$ 6,487,566</u>	<u>\$ 574,674</u>	<u>\$ 7,062,240</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2013

Net change in fund balances - total governmental funds \$ (736,145)

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

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.

Capital asset additions	\$ 48,508	
Current year depreciation	(464,855)	
Total		(416,347)

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

Property taxes	(123,633)	
Earnings on investments	(4,364)	
Intergovernmental	16,376	
Total		(111,621)

Repayment of bond and capital lease principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities
on the statement of net position. Principal payments during the year were:

Bonds	295,000	
Capital leases	446,988	
Total		741,988

In the statement of activities, interest is accrued on outstanding bonds,
whereas in governmental funds, an interest expenditure is reported
when due. The following items resulted in additional interest being
reported in the statement of activities:

Decrease in accrued interest payable	3,191	
Accreted interest on capital appreciation bonds	(62,813)	
Amortization of bond premiums	19,756	
Amortization of deferred charges	(9,296)	
Total		(49,162)

Some expenses reported in the statement of activities,
such as compensated absences, do not require the use of current
financial resources and therefore are not reported as expenditures
in governmental funds.

93,259

Change in net position of governmental activities **\$ (478,028)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 9,052,594	\$ 9,676,693	\$ 9,360,091	\$ (316,602)
Tuition	565,728	604,731	584,945	(19,786)
Earnings on investments	25,130	26,863	25,984	(879)
Extracurricular	9,408	10,057	9,728	(329)
Classroom materials and fees	60,048	64,188	62,088	(2,100)
Rental income	53,329	57,005	55,140	(1,865)
Other local revenues	100,716	107,659	104,137	(3,522)
Intergovernmental - State	4,493,047	4,802,804	4,645,666	(157,138)
Total revenues	<u>14,360,000</u>	<u>15,350,000</u>	<u>14,847,779</u>	<u>(502,221)</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,126,322	9,536,563	7,862,715	1,673,848
Special	2,064,369	2,410,841	1,931,733	479,108
Other	54,354	62,608	46,022	16,586
Support services:				
Pupil	706,619	812,246	588,921	223,325
Instructional staff	650,497	769,732	664,791	104,941
Board of education	299,729	314,491	82,300	232,191
Administration	2,000,140	2,310,305	1,729,307	580,998
Fiscal	697,070	802,147	585,852	216,295
Operations and maintenance	1,803,862	2,034,403	1,285,370	749,033
Pupil transportation	963,650	1,124,285	895,612	228,673
Central	6,000	6,000	-	6,000
Operation of non-instructional services:				
Other non-instructional services	87,760	105,655	99,777	5,878
Extracurricular activities	388,716	467,361	438,486	28,875
Debt service:				
Principal	297,283	337,548	224,497	113,051
Interest and fiscal charges	124,311	138,825	80,923	57,902
Total expenditures	<u>18,270,682</u>	<u>21,233,010</u>	<u>16,516,306</u>	<u>4,716,704</u>
Excess of expenditures over revenues	<u>(3,910,682)</u>	<u>(5,883,010)</u>	<u>(1,668,527)</u>	<u>4,214,483</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	11,277	11,277
Transfers (out)	-	(363)	-	363
Advances in	-	-	205,731	205,731
Advances (out)	-	(37,309)	(447,864)	(410,555)
Total other financing sources (uses)	<u>-</u>	<u>(37,672)</u>	<u>(230,856)</u>	<u>(193,184)</u>
Net change in fund balance	(3,910,682)	(5,920,682)	(1,899,383)	4,021,299
Fund balance at beginning of year	6,727,287	6,727,287	6,727,287	-
Prior year encumbrances appropriated	270,682	270,682	270,682	-
Fund balance at end of year	<u>\$ 3,087,287</u>	<u>\$ 1,077,287</u>	<u>\$ 5,098,586</u>	<u>\$ 4,021,299</u>

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 30,543	\$ 59,965
Total assets.	30,543	\$ 59,965
Liabilities:		
Accounts payable.	-	\$ 850
Due to students	-	36,930
Loans payable	63	22,185
Total liabilities	63	\$ 59,965
Net position:		
Held in trust for scholarships	30,480	
Total net position.	\$ 30,480	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 57
Gifts and contributions.	17,060
Total additions.	17,117
Deductions:	
Scholarships awarded	7,612
Change in net position	9,505
Net position at beginning of year.	20,975
Net position at end of year	\$ 30,480

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates 4 instructional facilities staffed by 60 classified employees, 91 certified teaching personnel and 12 administrators who provide educational services to 1,424 students from grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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’s significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of 26 school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The Board of Directors of the BACG consist of 1 elected representative of each county, the superintendent of the fiscal agent and 2 non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms, which are staggered. Financial information can be obtained by contacting the North Point Educational Service Center, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

EHOVE Career Center

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

Northern Ohio Educational Computer Association (NOECA)

NOECA is a jointly governed organization among 41 school districts. The joint venture was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the North Point Educational Service Center, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

North Point Purchasing Cooperative

The North Point Purchasing Cooperative ("the Cooperative") is composed of 15 school districts in four counties. The purpose of the Cooperative is to obtain competitive prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the Cooperative; currently there are no fees assessed to the members. There are nine Directors elected from the member districts. Any district withdrawing from the Cooperative forfeits its claim to any and all Cooperative assets. Sixty days notice is necessary prior to withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain further information regarding the Cooperative, contact the North Point Purchasing Cooperative, Matt Bauer, who serves as Administrator, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

RELATED ORGANIZATION

Huron Public Library

The Huron Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Huron City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Huron Public Library at 333 Williams Street, Huron, Ohio 44839.

PUBLIC ENTITY RISK POOLS

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Erie, Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (the "Association") is a public entity risk pool comprised of 14 districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Further information on the Association can be found in Note 11.B.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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. The District maintains one private-purpose trust fund to account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District maintains one agency fund to account for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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 an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

On the accrual basis of accounting, unamortized deferred charges on debt refunding is reported as a deferred outflow of resources.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Erie County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2013. All amounts reported in the budgetary statement reflect the original appropriations and the final appropriations, including all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2013, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposit. Investments in STAR Ohio are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or 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 2013 amounted to \$28,138, which includes \$2,893 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

For presentation on the basic financial statements, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market value and donated commodities are reported at the entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital 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 position, 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's capitalization threshold is \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

I. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service or employees with 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences 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 during the current year.

K. Unamortized Bond Premiums and Discounts/Accounting Gain or Loss

Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow.

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from refunding are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.C.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net position. Receivables and payables resulting from loans from governmental funds to the District’s agency and private purpose trust funds are classified as “loans receivable/payable”.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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. The amount restricted for other purposes represents amounts restricted for by State statute for school bus purchases.

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

O. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

P. Restricted Assets

Assets are reported as restricted assets 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 include the amount required by State statute. See Note 16 for details.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. Transfers between governmental funds are eliminated for reporting on the government-wide financial statements. During fiscal year 2013, there was no interfund activity recorded.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

R. Nonpublic Schools

Within the District boundaries, certain parochial schools are operated through the Toledo Catholic Diocese. These schools provide instruction for grades K-8. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these State monies by the District are reflected in a nonmajor governmental fund for financial reporting purposes.

S. Intergovernmental Pass-Through Payments

The District reports expenditures for intergovernmental pass through payments in its nonmajor governmental funds for operating tax levy receipts collected on-behalf of the Huron Public Library (the "Library"). The District collects all tax receipts and remits to the Library the operating levy receipts collected. The payment to the Library is reported as an intergovernmental pass through expenditure in the nonmajor governmental funds.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

- A. For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

	Governmental <u>Activities</u>
Net assets as previously reported	\$ 8,259,169
Removal of unamortized bond issuance costs	<u>(151,411)</u>
Net position at July 1, 2012	<u>\$ 8,107,758</u>

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 99,207
District managed student activity	61,126
Improving teacher quality	72

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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 monies deposited with the institution.

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

A. Cash on Hand

At fiscal year end, the District had \$25 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Cash in Segregated Accounts

At fiscal year end, \$9,141 was on deposit with Citizen's Bank for a transfer account. This amount is included in the total amount of "Deposits with Financial Institutions".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$5,636,336. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$5,246,788 of the District’s bank balance of \$6,137,480 was exposed to custodial risk as discussed below, while \$890,692 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 838,146</u>	<u>\$ 838,146</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District’s investments in STAR Ohio were assigned an AAAM money market rating by Standard & Poor’s. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District’s investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 838,146</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,636,336
Investments	838,146
Cash on hand	<u>25</u>
Total	<u>\$ 6,474,507</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,383,999
Private-purpose trust fund	30,543
Agency funds	<u>59,965</u>
Total	<u>\$ 6,474,507</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2013 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 425,571</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency	\$ 22,185
General fund	Private purpose trust	<u>63</u>
		<u>\$ 22,248</u>

The loans to the agency fund and private purpose trust fund are expected to be repaid in the subsequent year as resources become available in the agency fund and private purpose trust fund.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Erie County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$1,839,261 in the general fund, \$51,961 in the debt service fund (a nonmajor governmental fund) and \$71,207 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$1,697,768 in the general fund, \$54,309 in the debt service fund (a nonmajor governmental fund) and \$64,547 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES - (Continued)

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 331,704,560	98.31	\$ 313,427,090	98.04
Public utility personal	<u>5,706,150</u>	<u>1.69</u>	<u>6,252,680</u>	<u>1.96</u>
Total	<u>\$ 337,410,710</u>	<u>100.00</u>	<u>\$ 319,679,770</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 69.95		\$ 70.72	
Permanent improvement	3.00		3.00	
Debt service	0.90		0.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 10,863,403
Accounts	52,400
Intergovernmental	116,213
Accrued interest	<u>4,325</u>
Total	<u>\$ 11,036,341</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance June 30, 2012	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2013
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 481,741	\$ -	\$ -	\$ 481,741
Total capital assets, not being depreciated	<u>481,741</u>	<u>-</u>	<u>-</u>	<u>481,741</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,608,085	24,995	-	1,633,080
Buildings and improvements	11,281,191	-	-	11,281,191
Furniture and equipment	1,229,679	-	-	1,229,679
Vehicles	<u>1,229,795</u>	<u>23,513</u>	<u>-</u>	<u>1,253,308</u>
Total capital assets, being depreciated	<u>15,348,750</u>	<u>48,508</u>	<u>-</u>	<u>15,397,258</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(983,739)	(54,338)	-	(1,038,077)
Buildings and improvements	(4,634,629)	(268,023)	-	(4,902,652)
Furniture and equipment	(750,366)	(77,006)	-	(827,372)
Vehicles	<u>(1,007,732)</u>	<u>(65,488)</u>	<u>-</u>	<u>(1,073,220)</u>
Total accumulated depreciation	<u>(7,376,466)</u>	<u>(464,855)</u>	<u>-</u>	<u>(7,841,321)</u>
Governmental activities capital assets, net	<u>\$ 8,454,025</u>	<u>\$ (416,347)</u>	<u>\$ -</u>	<u>\$ 8,037,678</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 167,414
Special	48,595

Support services:

Pupil	4,322
Instructional staff	7,385
Administration	27,282
Fiscal	3,922
Operations and maintenance	49,647
Pupil transportation	93,384
Food service operations	32,178
Extracurricular activities	<u>30,726</u>
Total depreciation expense	<u>\$ 464,855</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - LEASE-PURCHASE AGREEMENT

During prior fiscal years, the District entered into five lease-purchase agreements with All Points Public Funding, LLC. and First Merit Equipment Finance, Inc. These leases meet the criteria of a lease-purchase, which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. The lease entered into during fiscal year 2007 was used to defease the District's lease held by All Points Public Funding, LLC for a new elementary school addition and the lease held by the Huron Athletic Booster, Inc. for stadium renovations. In addition, a portion of the lease was used to purchase computer equipment and a telephone system. The lease entered into during fiscal year 2008 was used to purchase new science labs, equipment and computers. The leases entered into during fiscal year 2010 were used to purchase buses and miscellaneous improvements to school buildings. The lease entered into during fiscal year 2012 was used to purchase smart boards and security camera systems. Capital assets acquired by lease purchases have been capitalized in the amount of \$6,644,185. The fiscal year 2010 lease to purchase miscellaneous improvements to school buildings had unspent proceeds of \$84,045 at June 30, 2013. Accumulated depreciation as of June 30, 2013 was \$2,299,200, leaving a current book value of \$4,344,985. Lease-purchase payments for the agreement entered into in 2007 have been reflected as debt service expenditures in the permanent improvement fund (a nonmajor governmental fund). Lease-purchase payments for the agreement entered into in 2008, 2010 and 2012, have been reflected as debt service expenditures in the general and permanent improvement fund (a nonmajor governmental fund). Principal and interest payments in fiscal year 2013 totaled \$128,213 and \$25,973, respectively, in the general fund and \$318,775 and \$94,683, respectively, in the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreements and the present value of the minimum lease payments as of June 30, 2013.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2014	\$ 540,729
2015	487,135
2016	462,422
2017	432,654
2018	435,462
2019 - 2023	<u>1,142,848</u>
Total minimum lease payments	3,501,250
Less: amount representing interest	<u>(431,713)</u>
Present value of minimum lease payments	<u>\$ 3,069,537</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS

A. Library Refunding Bonds - Series 2007

On September 20, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 1999 library improvement general obligation bonds (callable principal \$3,380,000). The issuance proceeds of \$3,379,997 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$3,180,000 and capital appreciation bonds, par value \$199,997. The capital appreciation bonds mature December 1, 2014, December 1, 2015 and December 1, 2016 (stated interest rate 15.78%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$660,000. Total accreted interest of \$260,849 has been included in the statement of net position at June 30, 2013.

The following is a schedule of activity for the Series 2007 library refunding bonds:

	Balance			Balance	Amounts
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Due in</u>
					<u>One Year</u>
Series 2007, library refunding current interest bonds - 4.0% 12/01/25 maturity	\$ 2,735,000	\$ -	\$ (205,000)	\$ 2,530,000	\$ 210,000
Series 2007, library refunding capital appreciation bonds 15.78% (stated interest), 12/1/14, 12/1/15 and 12/1/16 maturity	199,997	-	-	199,997	-
Series 2007, library refunding capital appreciation bonds accreted interest	<u>198,036</u>	<u>62,813</u>	<u>-</u>	<u>260,849</u>	<u>-</u>
Total	<u>\$ 3,133,033</u>	<u>\$ 62,813</u>	<u>\$ (205,000)</u>	<u>\$ 2,990,846</u>	<u>\$ 210,000</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$164,630. This amount is amortized over the remaining life of the refunded debt as a deferred outflow of resources on the statement of net position, which is equal to the life of the new debt issued.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the Series 2007 library refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds Library Refunding Bonds (Series 2007)			Capital Appreciation Bonds Library Refunding Bonds (Series 2007)		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 210,000	\$ 97,000	\$ 307,000	\$ -	\$ -	\$ -
2015	-	92,800	92,800	76,637	143,363	220,000
2016	-	92,800	92,800	66,191	153,809	220,000
2017	-	92,800	92,800	57,169	162,831	220,000
2018	220,000	88,400	308,400	-	-	-
2019 - 2023	1,235,000	300,100	1,535,100	-	-	-
2024 - 2026	865,000	52,900	917,900	-	-	-
Total	<u>\$ 2,530,000</u>	<u>\$ 816,800</u>	<u>\$ 3,346,800</u>	<u>\$ 199,997</u>	<u>\$ 460,003</u>	<u>\$ 660,000</u>

B. H.B. 264 Bonds - Series 2008

On September 18, 2008, the District issued general obligation bonds in the amount of \$1,595,000 for the House Bill (H.B.) 264 School Energy Conservation Financing Program. Proceeds of the bonds were used to make energy efficiency improvements to the District's buildings and use the cost savings to pay for those improvements. Interest payments on the bonds are due June 1 and December 1 of each year. The final maturity stated on the bonds is December 1, 2023.

The following is a summary of the District's future annual debt service requirements to maturity for H.B. 264 Bonds - Series 2008:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 95,000	\$ 54,020	\$ 149,020
2015	95,000	50,933	145,933
2016	100,000	47,085	147,085
2017	105,000	43,035	148,035
2018	110,000	38,782	148,782
2019 - 2023	620,000	119,658	739,658
2024	140,000	6,440	146,440
Total	<u>\$ 1,265,000</u>	<u>\$ 359,953</u>	<u>\$ 1,624,953</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- C. During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due in One Year
Governmental activities:					
General obligation bonds - Series 2007	\$ 3,133,033	\$ 62,813	\$ (205,000)	\$ 2,990,846	\$ 210,000
H.B. 264 Bonds - Series 2008	1,355,000	-	(90,000)	1,265,000	95,000
Lease-purchase agreements	3,516,525	-	(446,988)	3,069,537	436,276
Compensated absences	960,838	56,243	(208,089)	808,992	157,851
Total long-term obligations, governmental activities	\$ 8,965,396	\$ 119,056	\$ (950,077)	8,134,375	\$ 899,127
			Add: Unamortized premium	238,747	
				\$ 8,373,122	

See Note 9 for detail on the District's lease-purchase agreements.

Compensated absences will be paid from the fund from which the employee is paid primarily the general fund and food service fund (a nonmajor governmental fund).

D. Legal Debt Margin

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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$25,194,859 (including available funds of \$418,677) and an unvoted debt margin of \$319,680.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In fiscal year 2013, the District continued a rider to its policies to cover the District in the event of a violent action. The District also carries an Umbrella Policy for additional liability protection. All other coverage remained the same or increased to reflect increases in property value. On June 30, 2013 the District was non-renewed by its current carrier. It has obtained similar or better coverage for fiscal year 2014 from a new carrier.

B. Health Benefits

The District provides employee health care benefits through membership in the Huron-Erie School Employees Insurance Association (the "Association"), a public entity risk management pool. Monthly payments are made to the Association for health, dental and vision insurance coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the Association will purchase stop-loss insurance policies from commercial insurance carriers to cover any yearly claims in excess of 120% of the prior year's aggregate claims. Financial information can be obtained by writing to the North Point Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

The District is in full compliance with the federal Affordable Health Care law and has elected not to grandfather its medical insurance coverage.

The District maintains a Wellness Committee and a comprehensive wellness program. And, fully complies with standards set by the State of Ohio Health Care Board.

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

C. Workers' Compensation

For fiscal year 2013, the District participated in the Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniserve provides administrative, cost control and actuarial services to the GRP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - RISK MANAGEMENT - (Continued)

D. Unemployment Compensation

For fiscal year 2013, the District maintained a self-insurance program for Unemployment Compensation. The firm of Sheakley Uniserve provides administrative, cost control and actuarial services to the GRP. Claims for the year were less than \$3,000.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - 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 District 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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$293,676, \$286,694 and \$261,218, respectively; 66.57 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - PENSION PLANS - (Continued)

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 a member's lifetime 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$911,587, \$876,481 and \$850,275, respectively; 84.64 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$8,082 made by the District and \$5,773 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$34,929, \$43,674 and \$62,887, respectively; 66.57 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$16,589, \$16,931 and \$16,810, respectively; 66.57 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$70,122, \$67,422 and \$65,406, respectively; 84.64 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While 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 is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,899,383)
Net adjustment for revenue accruals	186,847
Net adjustment for expenditure accruals	313,356
Net adjustment for other sources/uses	230,856
Funds budgeted elsewhere	(3,291)
Adjustment for encumbrances	391,486
GAAP basis	\$ (780,129)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund and a portion of the special trust fund.

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 16 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	247,328
Current year qualifying expenditures	(132,112)
Current year offsets	<u>(851,295)</u>
Total	<u>\$ (736,079)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

In addition to the above statutory set-aside, the District also has \$26,629 in monies restricted for school bus purchases.

NOTE 17 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 352,676
Other nonmajor governmental	<u>104,270</u>
Total	<u>\$ 456,946</u>

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Agriculture				
<i>Passed through the Ohio Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
Non-Cash Assistance (Food Donation)				
National School Lunch Program	N/A	10.555	\$ 18,057	\$ 18,057
School Breakfast Program	05-PU	10.553	38,905	38,905
National School Lunch Program	LLP4	10.555	193,286	193,286
Child Nutrition Cluster Total			<u>232,191</u>	<u>232,191</u>
Total United States Department of Agriculture			<u>250,248</u>	<u>250,248</u>
United States Department of Education				
<i>Passed through Ohio Department of Education</i>				
<i>Special Education Cluster:</i>				
Special Education - Grants to States	6BSF	84.027	285,983	282,541
Special Education - Preschool Grants	PGS1	84.173	10,558	10,558
Special Education Cluster Total			<u>296,541</u>	<u>293,099</u>
Title I Grants to Local Educational Agencies	C1S1	84.010	169,606	197,109
Improving Teacher Quality State Grants	TRS1	84.367	42,357	44,845
Total United States Department of Education			<u>508,504</u>	<u>535,053</u>
Total Federal Awards			<u>\$ 758,752</u>	<u>\$ 785,301</u>

NA - Pass Through Entity Number is Not Available
N - Direct from the Federal Government
See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**HURON CITY SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The School District reports commodities consumed on the Schedule at entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Caudill & Associates, CPA

P.O. Box 751, South Shore, KY 41175

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Huron City School District
Erie County
712 Cleveland Road East
Huron, Ohio 44839

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron City School District, Erie County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

**Board of Education
Huron City School District**

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Candill & Associates, CPA

March 31, 2014



Caudill & Associates, CPA
P.O. Box 751, South Shore, KY 41175

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Huron City School District
Erie County
712 Cleveland Road East
Huron, Ohio 44839

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Huron City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Huron City School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

**Board of Education
Huron City School District**

Opinion on the Major Federal Program

In our opinion, the Huron City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Candill & Associates, CPA

March 31, 2014

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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 Significant Control Deficiency(ies) reported at the financial statement level (GAGAS)?	None Reported
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiency(ies) in internal control reported for major federal programs?	None Reported
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

None Noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None Noted.



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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Huron City School District
Erie County
712 Cleveland Road East
Huron, Ohio 44839

To the Board of Education

Ohio Revised Code Section 117.53 states that "the auditor of state shall identify whether the school district or community has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Huron City School District, Erie County, (the School District) has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on August 9, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPA

Caudill & Associates, CPA
March 31, 2014



Dave Yost • Auditor of State

HURON CITY SCHOOL DISTRICT

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 22, 2014**