



**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types	8
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) All Proprietary Fund Types	11
Combined Statement of Cash Flows - All Proprietary Fund Types	12
Notes to the General-Purpose Financial Statements	13
Schedule of Federal Awards Receipts and Expenditures	41
Notes to the Schedule of Federal Awards Receipts and Expenditures	42
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	43
Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	45
Schedule of Findings	47

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Huntington Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Huntington Local School District, Ross County, Ohio as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the general-purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 32 "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*"

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

February 29, 2000

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**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>GOVERNMENTAL FUND TYPES</u>				<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Assets and Other Debits:</u>										
<u>Assets:</u>										
Equity in Pooled Cash and Cash Equivalents	\$2,180,441	\$151,999	\$165,382	\$5,342,050	\$170,614	\$850	\$37,395	\$0	\$0	\$8,048,731
Cash and Cash Equivalents with Fiscal Agents	0	0	0	0	0	27,251	0	0	0	27,251
Receivables:										
Taxes	683,179	15,760	132,343	0	0	0	0	0	0	831,282
Accounts	3,478	0	0	0	1,457	0	0	0	0	4,935
Accrued Interest	31,587	0	0	0	0	0	0	0	0	31,587
Intergovernmental	0	77,375	0	0	0	0	0	0	0	77,375
Prepaid Premiums	0	0	0	0	0	146,291	0	0	0	146,291
Prepaid Items	8,014	0	0	0	0	0	0	0	0	8,014
Inventory Held for Resale	0	0	0	0	6,162	0	0	0	0	6,162
Materials and Supplies Inventory	23,102	0	0	0	681	0	0	0	0	23,783
Restricted Assets:										
Equity in Pooled Cash and Cash Equivalents	162,482	0	0	0	0	0	0	0	0	162,482
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	14,445	0	0	13,996,361	0	14,010,806
<u>Other Debits:</u>										
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0	0	0	0	175,403	175,403
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	0	1,698,161	1,698,161
Total Assets and Other Debits	\$3,092,283	\$245,134	\$297,725	\$5,342,050	\$193,359	\$174,392	\$37,395	\$13,996,361	\$1,873,564	\$25,252,263

(continued)

See accompanying notes to the general purpose financial statements

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)

	<u>GOVERNMENTAL FUND TYPES</u>				<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
Liabilities,										
<u>Fund Equity and Other Credits:</u>										
<u>Liabilities:</u>										
Accounts Payable	\$3,038	\$810	\$0	\$0	\$823	\$850	\$0	\$0	\$0	\$5,521
Retainage Payable	0	0	0	126,952	0	0	0	0	0	126,952
Accrued Wages and Benefits	471,720	89,308	0	0	21,234	0	0	0	0	582,262
Compensated Absences Payable	14,005	0	0	0	3,668	0	0	0	411,725	429,398
Intergovernmental Payable	118,691	9,502	0	0	10,485	0	0	0	52,509	191,187
Deferred Revenue	634,151	14,538	122,322	0	3,890	0	0	0	0	774,901
Undistributed Monies	0	0	0	0	0	0	37,395	0	0	37,395
Claims Payable	0	0	0	0	0	119,096	0	0	0	119,096
Capital Leases Payable	0	0	0	0	0	0	0	0	74,330	74,330
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	1,335,000	1,335,000
Total Liabilities	1,241,605	114,158	122,322	126,952	40,100	119,946	37,395	0	1,873,564	3,676,042
<u>Fund Equity and Other Credits:</u>										
Investment in General Fixed Assets	0	0	0	0	0	0	0	13,996,361	0	13,996,361
Contributed Capital	0	0	0	0	4,372	0	0	0	0	4,372
Retained Earnings:										
Unreserved (Deficit)	0	0	0	0	148,887	54,446	0	0	0	203,333
Fund Balance:										
Reserved for Encumbrances	119,897	1,883	0	0	0	0	0	0	0	121,780
Reserved for Inventory	23,102	0	0	0	0	0	0	0	0	23,102
Reserved for Property Taxes	49,028	1,222	10,021	0	0	0	0	0	0	60,271
Reserved for Textbooks and Instructional Materi	5,380	0	0	0	0	0	0	0	0	5,380
Reserved for Bus Purchases	73,726	0	0	0	0	0	0	0	0	73,726
Reserved for Budget Stabilization	83,376	0	0	0	0	0	0	0	0	83,376
Unreserved:										
Undesignated	1,496,169	127,871	165,382	5,215,098	0	0	0	0	0	7,004,520
Total Fund Equity (Deficit) and Other Credits	1,850,678	130,976	175,403	5,215,098	153,259	54,446	0	13,996,361	0	21,576,221
Total Liabilities, Fund Equity and Other Credits	\$3,092,283	\$245,134	\$297,725	\$5,342,050	\$193,359	\$174,392	\$37,395	\$13,996,361	\$1,873,564	\$25,252,263

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
Property Taxes	\$651,072	\$15,763	\$136,858	\$0	\$803,693
Intergovernmental	5,974,361	500,900	17,413	6,941,087	13,433,761
Interest	174,430	0	0	75,787	250,217
Tuition and Fees	15,755	0	0	0	15,755
Rent	231	0	0	0	231
Extracurricular Activities	19,651	92,326	0	0	111,977
Miscellaneous	92,537	0	0	4,900	97,437
Total Revenues	<u>6,928,037</u>	<u>608,989</u>	<u>154,271</u>	<u>7,021,774</u>	<u>14,713,071</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,397,169	317,021	0	116,005	3,830,195
Special	434,053	355,319	0	0	789,372
Vocational	32,575	0	0	0	32,575
Other	43,787	0	0	0	43,787
Support Services:					
Pupils	138,541	2,405	0	0	140,946
Instructional Staff	108,807	11,318	0	0	120,125
Board of Education	17,033	0	0	0	17,033
Administration	414,408	7,024	0	0	421,432
Fiscal	308,476	3,698	0	0	312,174
Operation and Maintenance of Plant	564,147	5,681	0	0	569,828
Pupil Transportation	444,380	0	0	0	444,380
Extracurricular Activities	114,180	94,774	0	0	208,954
Capital Outlay	79,755	406	0	3,580,354	3,660,515
Debt Service:					
Principal Retirement	21,443	0	87,000	0	108,443
Interest and Fiscal Charges	2,824	0	79,962	0	82,786
Total Expenditures	<u>6,121,578</u>	<u>797,646</u>	<u>166,962</u>	<u>3,696,359</u>	<u>10,782,545</u>
Excess of Revenues over/(under) Expenditures	<u>806,459</u>	<u>(188,657)</u>	<u>(12,691)</u>	<u>3,325,415</u>	<u>3,930,526</u>
Other Financing Sources/(Uses):					
Inception of Capital Lease	79,755	0	0	0	79,755
Operating Transfers In	53,706	300,947	0	596,207	950,860
Operating Transfers Out	(917,708)	(53,706)	0	0	(971,414)
Total Other Financing Sources/(Uses)	<u>(784,247)</u>	<u>247,241</u>	<u>0</u>	<u>596,207</u>	<u>59,201</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	22,212	58,584	(12,691)	3,921,622	3,989,727
Fund Balances at Beginning of Year	1,831,106	72,392	188,094	1,293,476	3,385,068
Decrease in Reserve for Inventory	(2,640)	0	0	0	(2,640)
Fund Balances at End of Year	<u>\$1,850,678</u>	<u>\$130,976</u>	<u>\$175,403</u>	<u>\$5,215,098</u>	<u>\$7,372,155</u>

The notes to the general-purpose financial statements are an integral part of this statement.

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	GENERAL			SPECIAL REVENUE		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property Taxes	\$639,343	\$641,937	\$2,594	\$15,195	\$15,534	\$339
Intergovernmental	5,612,389	5,933,614	321,225	566,783	478,166	(88,617)
Interest	68,109	151,891	83,782	0	0	0
Tuition and Fees	14,348	14,348	0	0	0	0
Rent	231	231	0	0	0	0
Extracurricular Activities	19,651	19,651	0	89,325	92,326	3,001
Miscellaneous	39,009	88,991	49,982	0	0	0
Total Revenues	6,393,080	6,850,663	457,583	671,303	586,026	(85,277)
Expenditures:						
Current:						
Instruction:						
Regular	4,615,998	3,522,334	1,093,664	329,708	289,089	40,619
Special	534,200	427,473	106,727	471,277	354,382	116,895
Vocational	70,573	37,624	32,949	0	0	0
Other	40,427	43,787	(3,360)	0	0	0
Support Services:						
Pupils	183,765	148,641	35,124	5,000	2,405	2,595
Instructional Staff	148,541	109,497	39,044	18,519	9,224	9,295
Board of Education	34,500	16,668	17,832	0	0	0
Administration	522,559	424,356	98,203	10,428	7,452	2,976
Fiscal	521,800	308,839	212,961	5,066	3,926	1,140
Operation and Maintenance of Plant	796,143	660,137	136,006	10,000	5,681	4,319
Pupil Transportation	632,179	500,677	131,502	0	0	0
Extracurricular Activities	116,802	115,462	1,340	98,873	97,495	1,378
Capital Outlay	128,371	114,972	13,399	1,000	406	594
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	8,345,858	6,430,467	1,915,391	949,871	770,060	179,811
Excess of Revenues over/ (under) Expenditures	(1,952,778)	420,196	2,372,974	(278,568)	(184,034)	94,534
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	0	40,747	40,747	0	0	0
Operating Transfers In	0	55,100	55,100	325,764	319,935	(5,829)
Operating Transfers Out	(909,374)	(920,221)	(10,847)	(55,140)	(72,694)	(17,554)
Other Financing Sources	0	0	0	5,000	0	(5,000)
Other Financing Uses	(87,235)	0	87,235	0	0	0
Other Non-Operating Revenues	0	3,547	3,547	0	0	0
Total Other Financing Sources/(Uses)	(996,609)	(820,827)	175,782	275,624	247,241	(28,383)
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,949,387)	(400,631)	2,548,756	(2,944)	63,207	66,151
Fund Balance at July 1	2,310,410	2,310,410	0	78,455	78,455	0
Prior Year Encumbrances Appropriated	306,177	306,177	0	7,644	7,644	0
Fund Balances at June 30	(\$332,800)	\$2,215,956	\$2,548,756	\$83,155	\$149,306	\$66,151

The notes to the general-purpose financial statements are an integral part of these statements.

DEBT SERVICE			CAPITAL PROJECTS			TOTALS (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$140,369	\$137,361	(\$3,008)	\$0	\$0	\$0	\$794,907	\$794,832	(75)
0	17,413	17,413	6,508,771	6,941,087	432,316	12,687,943	13,370,280	682,337
0	0	0	67,000	75,787	8,787	135,109	227,678	92,569
0	0	0	0	0	0	14,348	14,348	0
0	0	0	0	0	0	231	231	0
0	0	0	0	0	0	108,976	111,977	3,001
500	0	(500)	0	4,900	4,900	39,509	93,891	54,382
140,869	154,774	13,905	6,575,771	7,021,774	446,003	13,781,023	14,613,237	832,214
0	0	0	181,551	116,005	65,546	5,127,257	3,927,428	1,199,829
0	0	0	0	0	0	1,005,477	781,855	223,622
0	0	0	0	0	0	70,573	37,624	32,949
0	0	0	0	0	0	40,427	43,787	(3,360)
0	0	0	0	0	0	188,765	151,046	37,719
0	0	0	0	0	0	167,060	118,721	48,339
0	0	0	0	0	0	34,500	16,668	17,832
0	0	0	0	0	0	532,987	431,808	101,179
0	0	0	0	0	0	526,866	312,765	214,101
0	0	0	1,320	0	1,320	807,463	665,818	141,645
0	0	0	0	0	0	632,179	500,677	131,502
0	0	0	0	0	0	215,675	212,957	2,718
0	0	0	4,168,104	3,453,402	714,702	4,297,475	3,568,780	728,695
92,000	91,580	420	0	0	0	92,000	91,580	420
75,482	75,382	100	0	0	0	75,482	75,382	100
167,482	166,962	520	4,350,975	3,569,407	781,568	13,814,186	10,936,896	2,877,290
(26,613)	(12,188)	14,425	2,224,796	3,452,367	1,227,571	(33,163)	3,676,341	3,709,504
0	0	0	0	0	0	0	40,747	40,747
0	0	0	596,207	600,734	4,527	921,971	975,769	53,798
0	0	0	(4,528)	(4,528)	0	(969,042)	(997,443)	(28,401)
0	0	0	0	0	0	5,000	0	(5,000)
0	0	0	0	0	0	(87,235)	0	87,235
0	0	0	0	0	0	0	3,547	3,547
0	0	0	591,679	596,206	4,527	(129,306)	22,620	151,926
(26,613)	(12,188)	14,425	2,816,475	4,048,573	1,232,098	(162,469)	3,698,961	3,861,430
177,570	177,570	0	1,292,157	1,292,157	0	3,858,592	3,858,592	0
0	0	0	1,320	1,320	0	315,141	315,141	0
\$150,957	\$165,382	\$14,425	\$4,109,952	\$5,342,050	\$1,232,098	\$4,011,264	\$7,872,694	\$3,861,430

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<u>Operating Revenues:</u>			
Sales	\$143,965	\$0	\$143,965
Charges for Services	0	651,687	651,687
<i>Total Operating Revenues</i>	<u>143,965</u>	<u>651,687</u>	<u>795,652</u>
<u>Operating Expenses:</u>			
Salaries	118,359	0	118,359
Fringe Benefits	41,154	10,324	51,478
Purchased Services	2,598	4,789	7,387
Materials and Supplies	689	0	689
Cost of Sales	156,883	0	156,883
Depreciation	2,100	0	2,100
Claims	0	683,930	683,930
<i>Total Operating Expenses</i>	<u>321,783</u>	<u>699,043</u>	<u>1,020,826</u>
Operating Loss	<u>(177,818)</u>	<u>(47,356)</u>	<u>(225,174)</u>
<u>Non-Operating Revenues:</u>			
Federal and State Subsidies	162,713	0	162,713
Federal Donated Commodities	25,272	0	25,272
Interest	1,547	1,135	2,682
<i>Total Non-Operating Revenues</i>	<u>189,532</u>	<u>1,135</u>	<u>190,667</u>
Income (Loss) Before Operating Transfers	11,714	(46,221)	(34,507)
Operating Transfers In	0	20,554	20,554
Net Income (Loss)	11,714	(25,667)	(13,953)
Retained Earnings at Beginning of Year - Restated (Note 3)	<u>137,173</u>	<u>80,113</u>	<u>217,286</u>
Retained Earnings at End of Year	148,887	54,446	203,333
Contributed Capital at Beginning and End of Year	<u>4,372</u>	<u>0</u>	<u>4,372</u>
Total Fund Equity (Deficit) at End of Year	<u><u>\$153,259</u></u>	<u><u>\$54,446</u></u>	<u><u>\$207,705</u></u>

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	ENTERPRISE FUND			INTERNAL SERVICE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	\$208,000	\$143,076	(\$64,924)	\$0	\$0	\$0
Charges for Services	0	0	0	35,000	30,416	(4,584)
Interest	0	1,547	1,547	0	0	0
Federal and State Subsidies	182,000	162,713	(19,287)	0	0	0
Total Revenues	390,000	307,336	(82,664) *	35,000	30,416	(4,584)
Expenses:						
Salaries	131,500	117,380	14,120	0	0	0
Fringe Benefits	73,000	39,906	33,094	36,489	52,459	(15,970)
Purchased Services	7,598	3,741	3,857	0	0	0
Materials and Supplies	138,724	132,536	6,188	0	0	0
Capital Outlay	2,678	2,678	0	0	0	0
Total Expenses	353,500	296,241	57,259	36,489	52,459	(15,970)
Excess of Revenues Over (Under) Expenses	36,500	11,095	(25,405)	(1,489)	(22,043)	(20,554)
Operating Transfers-In	0	0	0	0	20,554	20,554
Excess of Revenues Over (Under) Expenses and Transfers	36,500	11,095	(25,405)	(1,489)	(1,489)	0
Fund Equity at July 1	156,875	156,875	0	0	0	0
Prior Year Encumbrances Appropriated	0	0	0	1,489	1,489	0
Fund Equity at June 30	\$193,375	\$167,970	(\$25,405)	\$0	\$0	\$0

The notes to the general-purpose financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>			
<i><u>Cash Flows from Operating Activities:</u></i>			
Cash Received from Customers	\$143,076	\$0	\$143,076
Cash Received from Quasi-External Transactions with Other Funds	0	650,710	650,710
Cash Payments to Suppliers for Goods and Services	(135,015)	(13,286)	(148,301)
Cash Payments to Employees for Services	(117,380)	0	(117,380)
Cash Payments for Employee Benefits	(39,906)	0	(39,906)
Cash Payments for Claims	0	(615,538)	(615,538)
Net Cash Provided by (Used for) Operating Activities	<u>(149,225)</u>	<u>21,886</u>	<u>(127,339)</u>
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>			
Operating Grants Received	162,713	0	162,713
Short-Term Loans to Other Governments	0	(146,291)	(146,291)
Operating Transfers	0	20,554	20,554
Net Cash Used for Noncapital Financing Activities	<u>162,713</u>	<u>(125,737)</u>	<u>36,976</u>
<i><u>Cash Flows from Capital and Related Financing Activities:</u></i>			
Acquisition of Capital Assets	(1,296)	0	(1,296)
<i><u>Cash Flows from Investing Activities:</u></i>			
Interest	1,547	1,135	2,682
Net Increase in Cash and Cash Equivalents	13,739	(102,716)	(88,977)
Cash and Cash Equivalents at Beginning of Year	<u>156,875</u>	<u>130,817</u>	<u>287,692</u>
Cash and Cash Equivalents at End of Year	<u><u>\$170,614</u></u>	<u><u>\$28,101</u></u>	<u><u>\$198,715</u></u>
<i><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></i>			
Operating Loss	<u>(177,818)</u>	<u>(47,356)</u>	<u>(225,174)</u>
<i><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></i>			
Depreciation	2,100	0	2,100
Donated Commodities Used During Year	25,272	0	25,272
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(889)	0	(889)
Increase in Inventory Held for Resale	(437)	0	(437)
Increase in Materials and Supplies Inventory	(503)	0	(503)
Increase in Accounts Payable	823	850	1,673
Increase in Accrued Wages and Benefits	2,280	0	2,280
Decrease in Compensated Absences Payable	(247)	0	(247)
Increase in Intergovernmental Payable	194	0	194
Increase in Claims Payable	0	68,392	68,392
Total Adjustments	<u>28,593</u>	<u>69,242</u>	<u>97,835</u>
Net Cash Used for Operating Activities	<u><u>(\$149,225)</u></u>	<u><u>\$21,886</u></u>	<u><u>(\$127,339)</u></u>

See accompanying notes to the general purpose financial statements

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1931 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 52 square miles. It is located in Ross County, and includes Huntington Township. The School District is the 405th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 45 non-certificated employees, 85 certificated full-time teaching personnel, and 4 administrative employees who provide services to 1,377 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity:

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

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

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

- Parent Teacher Organization
- Ross County Educational Service Center

The School District is associated with six organizations, four of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations are the South Central Ohio Computer Association, Pickaway-Ross County Joint Vocational School, Great Seal Education Network of Tomorrow, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ross County School Employees Insurance Consortium. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Huntington Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

General Fund

The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting (continued)

Governmental Fund Types: (continued)

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund

The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting (continued)

Account Groups: (continued)

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, property taxes available as an advance, interest, grants, tuition and student fees are deemed both measurable and available.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$1,119 to an agency fund from the general fund.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted; however, this amendment was not significant.

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

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents (continued)

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the fiscal agent at June 30, 1999 is presented as "Cash and Cash Equivalents with Fiscal Agents", on the balance sheet.

During fiscal year 1999, investments were limited to repurchase agreements. Nonparticipating investment contracts such as repurchase agreements of deposits are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$174,430, which includes \$56,327 assigned from other School District funds. The capital projects fund, enterprise fund and internal service fund also received interest revenue of \$75,787, \$1,547, and \$1,135, respectively.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Fixed Assets and Depreciation (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Professional Development Block Grant
- Intervention Grant

Capital Projects Fund

- School Net
- School Net Plus
- Tech Equity
- Classroom Facilities

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Governmental grants and entitlements amounted to approximately ninety-one percent of the School District's governmental operating during the 1999 fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after twenty years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

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

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set aside by the School District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, textbooks purchases, school bus purchases, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

N. Estimates

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

O. Contributed Capital

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

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

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD RESTATEMENT

For fiscal year 1999, the School District implemented *GASB Statement No. 32, "Deferred Compensation Plans"*. This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD RESTATEMENT (continued)

For fiscal year 1999, the prior year ending balance for the Self-Insurance Internal Service Fund was found to be misstated. This adjustment resulted in the following restatement of beginning Retained Earnings:

	Amount at 6/30/98	Restated Amount
Internal Service Fund	\$85,681	\$80,113

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 1999, the Disadvantaged Pupil Impact Aid Special Revenue Fund had a deficit fund balance of \$41,169, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$22,212	\$58,584	(\$12,691)	\$3,921,622
Revenue Accruals	(112,835)	(22,963)	503	0
Expenditure Accruals	(181,908)	30,279	0	126,951
Transfers	(1,119)	0	0	0
Encumbrances	(126,981)	(2,693)	0	0
Budget Basis	(\$400,631)	\$63,207	(\$12,188)	\$4,048,573

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

	Enterprise	Internal Service
GAAP Basis	\$11,714	(\$25,667)
Revenue Accruals	(26,161)	0
Expense Accruals	27,382	825
Depreciation Expense	2,100	0
Excess of Revenues Under Expenses for Unbudgeted Funds	0	24,203
Capital Outlay	(1,296)	0
Encumbrances	(2,644)	(850)
Budget Basis	\$11,095	(\$1,489)

6. DEPOSITS AND INVESTMENTS

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

6. DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

6. DEPOSITS AND INVESTMENTS (continued)

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

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

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$947,464 and the bank balance was \$1,760,000. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,660,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$7,291,000	\$7,291,000	\$7,291,869

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$8,238,464	\$0
Investments:		
Repurchase Agreement	(7,291,000)	7,291,000
<i>GASB Statement No. 3</i>	\$947,464	\$7,291,000

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$23,972,070	87.47%	\$28,851,290	88.33%
Public Utility	3,126,130	11.41%	3,367,600	10.31%
Tangible Personal Property	307,360	1.12%	445,190	1.36%
Total Assessed Value	\$27,405,560	100.00%	\$32,664,080	100.00%
Tax rate per \$1,000 of assessed valuation	\$28.50		\$33.10	

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

7. PROPERTY TAXES (continued)

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$49,028 in the General Fund, \$1,222 in the Classroom Facilities Maintenance Special Revenue fund, and \$10,021 in the Debt Service fund.

8. RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes and accounts (rent, billings for user charged services, and student fees), intergovernmental grants, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Special Revenue Funds	
Title VI-B	\$8,940
Title VI	38,435
Intervention Grant	30,000
Total All Funds	\$77,375

9. FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$101,601
Less Accumulated Depreciation	(87,156)
Net Fixed Assets	\$14,445

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

9. FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$244,626	\$42,801	\$0	\$287,427
Buildings and Improvements	8,470,830	0	0	8,470,830
Furniture, Fixtures and Equipment	1,135,067	107,323	94,806	1,147,584
Vehicles	738,161	54,689	59,474	733,376
Construction in Progress	0	3,357,144	0	3,357,144
Total General Fixed Assets	<u>\$10,588,684</u>	<u>\$3,561,957</u>	<u>\$154,280</u>	<u>\$13,996,361</u>

The beginning balance of Furniture, Fixtures, and Equipment was restated from \$1,170,713 in the prior year to \$1,135,067 due to the deletion of an old equipment that had taken place during the prior period but was not accounted for.

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for fleet insurance, the Earley Agency for building and contents coverage, and the Harcum Agency for liability insurance. Coverages provided are as follows:

Building and Contents-replacement cost (\$250 deductible)	\$12,917,045
Inland Marine Coverage (\$250 deductible)	110,000
Automobile Liability (\$250 deductible)	300,000
Uninsured Motorists (\$250 deductible)	300,000
General Liability - Per occurrence	1,000,000
General Liability - Total per year	3,000,000

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

10. RISK MANAGEMENT (Continued)

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$119,096 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$49,482	\$658,951	\$657,729	\$50,704
1999	50,704	683,930	615,538	119,096

Medical/surgical coverage is also provided for employees through a self-insurance internal service fund. Accurate financial information is not currently available for this program and it is not included in the financial statements.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$57,678, \$69,928, and \$81,882, respectively; 49 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$35,858 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$190,450, \$342,702, and \$356,105, respectively; 81 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$36,655 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$253,933 for fiscal year 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

12. POSTEMPLOYMENT BENEFITS (continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$63,806.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum limit of days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 54 days for classified employees and 43 days for certified employees.

B. Insurance Benefits

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

13. EMPLOYEE BENEFITS (continued)

C. Early Retirement Incentive

The Board of Education approved an Early Retirement Incentive program. All individuals with 30 years or more of STRS retirement credit shall be eligible for a one-time \$10,000 severance bonus. For the bonus to be collected, an individual's retirement must be completed no later than August 1 following the school year in which the individual is eligible. The individual must submit a written notification to the Superintendent by March 1 in order to receive the incentive. During fiscal year 1999, no employees took advantage of this incentive.

D. Deferred Compensation

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

GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides for the reporting of deferred compensation programs. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

14. CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 1999, and in prior years, the School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$89,677. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$21,443 in the governmental funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTDAG
2000	\$20,196
2001	19,020
2002	19,020
2003	19,020
2004	11,677
Total	88,933
Less: Amount Representing Interest	(14,603)
Present Value of Net Minimum Lease Payments	\$74,330

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
School Improvement Bond 1979 6.38%	\$100,000	\$0	\$50,000	\$50,000
School Improvement Bond 1989 6.40%	215,000	0	15,000	200,000
School Improvement Bond 1998 5.15%	1,107,000	0	22,000	1,085,000
Total Long-Term Bonds and Loans	1,422,000	0	87,000	1,335,000
Capital Leases	16,018	79,755	21,443	74,330
Pension Obligation	49,034	52,509	49,034	52,509
Compensated Absences	376,496	35,229	0	411,725
Total General Long-Term Obligations	\$1,863,548	\$167,493	\$157,477	\$1,873,564

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

15. LONG-TERM OBLIGATIONS (continued)

The 1979 School Improvement bonds were issued in the amount of \$940,000 on March 1, 1979 as a result of the School District being approved for a \$1,913,000 school facilities loan through the State Department of Education for the construction of a new building. The 1989 School Improvement bonds were issued in the amount of \$310,000 on July 1, 1989 as a result of the School District being approved for a \$4,066,928 school facilities loan through the State Department of Education for the construction of a new building. The 1998 School Improvement bonds were issued in the amount of \$1,107,000 as a result of the School District being approved for a \$8,578,658 school facilities loan through the State Department of Education for the construction of a new building and renovations to the existing ones. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 3.2 mil levy. The 3.2 mil levy, of which .5 mills was to be used for the retirement of the loan, will be in effect for twenty-three years.

On October 7, 1997, Huntington Local School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the previous classroom facilities loans, or the new \$8,578,658 loan to the State because the School District's adjusted valuation per pupil (currently 611 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

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

The School District's overall legal debt margin was \$1,780,170 with an unvoted debt margin of \$32,664 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$95,000	\$99,851	\$194,851
2001	50,000	95,409	145,409
2002	50,000	92,366	142,366
2003	55,000	94,185	149,185
2004	55,000	90,873	145,873
2005-2009	305,000	423,566	728,566
2010-2014	250,000	402,950	652,950
2015-2019	320,000	402,400	722,400
2020-2021	155,000	163,111	318,111
Total	<u>\$1,335,000</u>	<u>\$1,864,711</u>	<u>\$3,199,711</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

16. CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had the following contractual purchase commitments:

Company	Project	Amount Remaining on Contract
Monarch Construction	Middle School Construction	\$2,610,660
Croson / Teepe LLP	Air Conditioning and Plumbing	1,586,758
Stonecreek Interior Systems	Interior Furnishings	246,607
Brush Contractors	Electrical Wiring	387,832
Design Source	Interior Furnishings	5,049
Feinknopf Architects	Architectural Designs	106,005
Totals		<u>\$4,942,911</u>

17. JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating counties, two treasurers of the participating school districts, plus one representative from the fiscal agent. The School District paid SCOCA \$2,790 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (continued)

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

18. INSURANCE PURCHASING AND CLAIMS SERVICING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

19. SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$5,533,208 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State.. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$14,558,586 under this program.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

19. SCHOOL FUNDING (continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

20. SET-ASIDE CALCULATIONS

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

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

A. Textbooks and Instructional Materials

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$97,836	
Qualifying expenditures made during the year	(73,869)	
Amount of offsets for the year	(18,587)	
Total		5,380
Balance of the set-aside to be carried forward to next year		\$5,380

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

20. SET-ASIDE CALCULATIONS (continued)

B. Capital Acquisitions

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$97,836	
Qualifying expenditures made during the year	(104,523)	
Amount of offsets for the year	0	
Total		(6,687)
Balance of the set-aside to be carried forward to next year		\$0

C. Budget Stabilization

Set-aside balance carried forward from the prior year (Workers' Compensation refund)		\$34,458
Current year set-aside requirement	\$48,918	
Workers' Compensation refund received during the year	0	
Total		48,918
Balance of set-aside to be carried forward to next year		\$83,376

D. School Bus Purchases

Balance carried forward from the prior year		\$13,726
Current year amount received	\$60,000	
Qualifying expenditures made during the year	0	
Total		60,000
Balance to be carried forward to next year		\$73,726

Amounts of offsets and qualifying expenditures presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

21. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Federal CFDA Number	Pass-through Agency Awarding Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Distribution (See Note "B")	10.550		\$ 27,752		\$ 25,272	
National School Breakfast Program	10.553	05-PU 98/99	20,850	-	20,850	-
National School Lunch Program	10.555	04-PU 98/99 03-PU 98/99	130,822	-	130,822	-
Total U.S. Department of Agriculture			151,672	27,752	151,672	25,272
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I	84.010	C1-S1 98/99	351,928	-	290,243	-
Eisenhower Professional	84.281	MS-S1	8,704	-	8,704	-
Drug Free Federal Subsidy	84.186	DR-S1 99	7,064	-	7,064	-
Title VI	84.298	C2-S1 99	4,867	-	4,867	-
Goals 2000	84.276	G2-S2 99	36,900	-	2,300	-
<i>Special Education Cluster:</i>						
Title VI B	84.027	6B-SF 98 P	54,318	-	49,797	-
Handicapped Pre-School	84.173	PG-S1 99 P	4,563	-	4,563	-
Total Special Education Cluster			58,881	-	54,360	-
Total U.S. Department of Education			468,344	-	367,538	-
Total Federal Awards			\$620,016	\$27,752	\$519,210	\$25,272

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

NOTE C - ROSS COUNTY EDUCATIONAL SERVICE CENTER

The Eisenhower Professional, Drug Free Federal Subsidy and Handicapped Pre-School programs are administered by the Ross County Educational Service Center.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

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

We have audited the general-purpose financial statements of Huntington Local School District, Ross County Ohio (the District) as of and for the year ended June 30, 1999, in which the District implemented GASB Statement No. 32 for reporting on its deferred compensation program, and have issued our report thereon dated February 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 29, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10771-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 29, 2000.

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

JIM PETRO
Auditor of State

February 29, 2000



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

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

Compliance

We have audited the compliance of Huntington Local School District, Ross County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

JIM PETRO
Auditor of State

February 29, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

JUNE 30, 1999

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

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

FINDING NUMBER 1999-10771-001

Monitoring Self-Insurance Activity

The District is a member of the Ross County School Employees Insurance Consortium (RCSEIC) for health self-insurance purposes. The District pays premiums monthly to the RCSEIC who then pays the third party administrator (TPA) for District claims. The District receives summary reports and a listing of claims payments from the TPA that are utilized to post activity to the District's financial statements. The District receives no reports from the consortium. Appropriate monitoring controls were not in place at the District over the claims payment activity and the summary reports received from the TPA.

Lack of proper monitoring controls allowed erroneous summary reports, presented by the TPA, to be posted to the District's financial statements. Adjustments have been posted to the accompanying financial statements to correct these errors.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**JUNE 30, 1999
(Continued)**

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

FINDING NUMBER 1999-10771-001 (continued)

Monitoring Self-Insurance Activity (continued)

The District should obtain from the RCSEIC a summary report and reconciliation of the District's activity with the RCSEIC. The District should monitor these reports and compare them with the TPA summary reports to insure accuracy prior to posting activity to the financial statements. The District should also review listings of claims the TPA has approved to help assure the beneficiary is eligible for the benefits (i.e., is a District employee or family member).

3. FINDINGS RELATED AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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HUNTINGTON LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 30, 2000**