



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

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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, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form 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 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. We subjected this information 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.

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JIM PETRO
Auditor of State

November 25, 2002

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HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

GOVERNMENTAL FUND TYPES

	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,845,327	\$299,105	\$150,821	\$379,263
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Receivables:				
Taxes	832,348	18,491	105,378	0
Accounts	1,117	0	0	0
Accrued Interest	1,917	0	0	0
Intergovernmental	0	63,371	0	0
Prepaid Items	14,720	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	25,158	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	35,901	0	0	0
Cash and Cash Equivalents with Escrow Agent	0	0	0	13,640
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Construction in Progress	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$4,756,488</u>	<u>\$380,967</u>	<u>\$256,199</u>	<u>\$392,903</u>

<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$205,525	\$1,432	\$33,499	\$0	\$0	\$4,914,972
0	35,263	0	0	0	35,263
0	0	0	0	0	956,217
81	0	0	0	0	1,198
0	0	0	0	0	1,917
0	225,419	0	0	0	288,790
0	0	0	0	0	14,720
6,357	0	0	0	0	6,357
539	0	0	0	0	25,697
0	0	0	0	0	35,901
0	0	0	0	0	13,640
28,342	0	0	20,600,243	0	20,628,585
0	0	0	439,672	0	439,672
0	0	0	0	159,047	159,047
0	0	0	0	1,562,204	1,562,204
<u>\$240,844</u>	<u>\$262,114</u>	<u>\$33,499</u>	<u>\$21,039,915</u>	<u>\$1,721,251</u>	<u>\$29,084,180</u>

(continued)

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002
(continued)**

GOVERNMENTAL FUND TYPES

	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities,</u>				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$13,487	\$3,432	\$0	\$0
Contracts Payable	255	0	0	0
Retainage Payable	0	0	0	31,639
Accrued Wages and Benefits	713,078	112,868	0	0
Compensated Absences Payable	11,701	0	0	0
Intergovernmental Payable	145,040	2,812	0	0
Deferred Revenue	766,532	26,839	97,152	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	1,650,093	145,951	97,152	31,639
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserves for Material Supplies Inventory	25,158	0	0	0
Reserved for Encumbrances	164,305	5,577	0	550
Reserved for Property Taxes	65,816	1,452	8,226	0
Reserved for Budget Stabilization	35,901	0	0	0
Unreserved:				
Undesignated	2,815,215	227,987	150,821	360,714
Total Fund Equity and Other Credits	3,106,395	235,016	159,047	361,264
Total Liabilities, Fund Equity and Other Credits	\$4,756,488	\$380,967	\$256,199	\$392,903

See accompanying notes to the general purpose financial statements

<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$0	\$16,919
0	0	0	0	0	255
0	0	0	0	0	31,639
26,663	0	0	0	0	852,609
0	0	0	0	431,958	443,659
15,721	0	0	0	63,445	227,018
0	0	0	0	0	890,523
0	0	33,499	0	0	33,499
0	181,852	0	0	0	181,852
0	0	0	0	85,848	85,848
0	0	0	0	1,140,000	1,140,000
42,384	181,852	33,499	0	1,721,251	3,903,821
0	0	0	21,039,915	0	21,039,915
4,372	0	0	0	0	4,372
194,088	80,262	0	0	0	274,350
0	0	0	0	0	25,158
0	0	0	0	0	170,432
0	0	0	0	0	75,494
0	0	0	0	0	35,901
0	0	0	0	0	3,554,737
198,460	80,262	0	21,039,915	0	25,180,359
<u>\$240,844</u>	<u>\$262,114</u>	<u>\$33,499</u>	<u>\$21,039,915</u>	<u>\$1,721,251</u>	<u>\$29,084,180</u>

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<i>GOVERNMENTAL FUND TYPES</i>				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$822,056	\$17,901	\$102,885	\$0	\$942,842
Intergovernmental	7,256,213	1,003,937	14,749	55,940	8,330,839
Interest	68,967	0	0	11,152	80,119
Tuition and Fees	13,593	0	0	0	13,593
Rent	170	0	0	0	170
Extracurricular Activities	22,089	137,975	0	0	160,064
Miscellaneous	271,877	2,500	0	0	274,377
<i>Total Revenues</i>	<u>8,454,965</u>	<u>1,162,313</u>	<u>117,634</u>	<u>67,092</u>	<u>9,802,004</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	3,699,179	625,446	0	49,839	4,374,464
Special	482,058	350,413	0	0	832,471
Vocational	31,296	754	0	0	32,050
Other	40,980	0	0	0	40,980
Support Services:					
Pupils	214,332	38,027	0	0	252,359
Instructional Staff	165,380	2,235	0	0	167,615
Board of Education	15,353	0	0	0	15,353
Administration	516,037	7,151	0	0	523,188
Fiscal	387,411	5,861	2,696	0	395,968
Operation and Maintenance of Plant	716,571	5,919	0	1,260	723,750
Pupil Transportation	504,187	0	0	0	504,187
Extracurricular Activities	124,832	133,520	0	0	258,352
Capital Outlay	24,116	350	0	597,132	621,598
Debt Service:					
Principal Retirement	20,800	0	50,000	0	70,800
Interest and Fiscal Charges	6,252	0	62,366	0	68,618
<i>Total Expenditures</i>	<u>6,948,784</u>	<u>1,169,676</u>	<u>115,062</u>	<u>648,231</u>	<u>8,881,753</u>
Excess of Revenues Over (Under) Expenditures	<u>1,506,181</u>	<u>(7,363)</u>	<u>2,572</u>	<u>(581,139)</u>	<u>920,251</u>
<u>Other Financing Sources (Uses):</u>					
Inception of Capital Lease	23,861	0	0	0	23,861
Operating Transfers In	9,988	3,042	0	0	13,030
Operating Transfers Out	(854,125)	(13,005)	0	0	(867,130)
<i>Total Other Financing Sources (Uses)</i>	<u>(820,276)</u>	<u>(9,963)</u>	<u>0</u>	<u>0</u>	<u>(830,239)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	685,905	(17,326)	2,572	(581,139)	90,012
Fund Balances at Beginning of Year	<u>2,420,490</u>	<u>252,342</u>	<u>156,475</u>	<u>942,403</u>	<u>3,771,710</u>
Fund Balances at End of Year	<u>\$3,106,395</u>	<u>\$235,016</u>	<u>\$159,047</u>	<u>\$361,264</u>	<u>\$3,861,722</u>

See accompanying notes to the general purpose financial statements

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HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
All Governmental Fund Types
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<i>GENERAL FUND</i>			<i>SPECIAL REVENUE FUNDS</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$835,594	\$807,590	(\$28,004)	\$18,838	\$17,733	(\$1,105)
Intergovernmental	6,213,074	7,256,213	1,043,139	1,117,797	1,064,520	(53,277)
Interest	50,000	71,438	21,438	0	0	0
Tuition and Fees	14,242	14,242	0	0	0	0
Rent	170	170	0	0	0	0
Extracurricular Activities	24,267	22,089	(2,178)	141,305	138,035	(3,270)
Gifts and Donations	0	0	0	500	0	(500)
Miscellaneous	156,750	271,877	115,127	2,500	2,500	0
<i>Total Revenues</i>	<u>7,294,097</u>	<u>8,443,619</u>	<u>1,149,522</u>	<u>1,280,940</u>	<u>1,222,788</u>	<u>(58,152)</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	4,117,623	3,619,830	497,793	709,330	625,297	84,033
Special	523,950	479,768	44,182	510,368	354,275	156,093
Vocational	80,500	32,375	48,125	3,937	1,172	2,765
Other	77,283	44,755	32,528	0	0	0
Support Services:						
Pupils	218,451	222,522	(4,071)	44,802	38,027	6,775
Instructional Staff	214,036	164,368	49,668	3,025	2,435	590
Board of Education	39,825	13,817	26,008	0	0	0
Administration	538,616	519,463	19,153	7,322	7,151	171
Fiscal	435,686	398,391	37,295	10,300	5,851	4,449
Operation and Maintenance of Plant	880,999	846,745	34,254	42,525	8,799	33,726
Pupil Transportation	453,809	495,502	(41,693)	300	0	300
Extracurricular Activities	127,974	127,191	783	148,748	137,734	11,014
Capital Outlay	0	0	0	2,000	350	1,650
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<i>Total Expenditures</i>	<u>7,708,752</u>	<u>6,964,727</u>	<u>744,025</u>	<u>1,482,657</u>	<u>1,181,091</u>	<u>301,566</u>
Excess of Revenues Over (Under) Expenditures	<u>(414,655)</u>	<u>1,478,892</u>	<u>1,893,547</u>	<u>(201,717)</u>	<u>41,697</u>	<u>243,414</u>
<u>Other Financing Sources (Uses):</u>						
Operating Transfers In	0	9,988	9,988	48,518	3,042	(45,476)
Operating Transfers Out	(1,015,824)	(854,125)	161,699	(1,273)	(13,005)	(11,732)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,015,824)</u>	<u>(844,137)</u>	<u>171,687</u>	<u>47,245</u>	<u>(9,963)</u>	<u>(57,208)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,430,479)</u>	<u>634,755</u>	<u>2,065,234</u>	<u>(154,472)</u>	<u>31,734</u>	<u>186,206</u>
Fund Balances at Beginning of Year	2,976,261	2,976,261	0	218,826	218,826	0
Prior Year Encumbrances Appropriated	90,413	90,413	0	39,120	39,120	0
Fund Balances at End of Year	<u>\$1,636,195</u>	<u>\$3,701,429</u>	<u>\$2,065,234</u>	<u>\$103,474</u>	<u>\$289,680</u>	<u>\$186,206</u>

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$105,936	\$103,388	(\$2,548)	\$0	\$0	\$0	\$960,368	\$928,711	(\$31,657)
17,283	14,749	(2,534)	914,404	55,940	(858,464)	8,262,558	8,391,422	128,864
0	0	0	2,000	11,152	9,152	52,000	82,590	30,590
0	0	0	0	0	0	14,242	14,242	0
0	0	0	0	0	0	170	170	0
0	0	0	0	0	0	165,572	160,124	(5,448)
0	0	0	0	0	0	500	0	(500)
0	0	0	0	0	0	159,250	274,377	115,127
123,219	118,137	(5,082)	916,404	67,092	(849,312)	9,614,660	9,851,636	236,976
0	0	0	92,818	68,389	24,429	4,919,771	4,313,516	606,255
0	0	0	0	0	0	1,034,318	834,043	200,275
0	0	0	0	0	0	84,437	33,547	50,890
0	0	0	0	0	0	77,283	44,755	32,528
0	0	0	0	0	0	263,253	260,549	2,704
0	0	0	0	0	0	217,061	166,803	50,258
0	0	0	0	0	0	39,825	13,817	26,008
0	0	0	0	0	0	545,938	526,614	19,324
5,000	2,696	2,304	0	0	0	450,986	406,938	44,048
0	0	0	1,260	1,260	0	924,784	856,804	67,980
0	0	0	0	0	0	454,109	495,502	(41,393)
0	0	0	0	0	0	276,722	264,925	11,797
0	0	0	885,050	596,721	288,329	887,050	597,071	289,979
50,000	50,000	0	0	0	0	50,000	50,000	0
65,410	62,366	3,044	0	0	0	65,410	62,366	3,044
120,410	115,062	5,348	979,128	666,370	312,758	10,290,947	8,927,250	1,363,697
2,809	3,075	266	(62,724)	(599,278)	(536,554)	(676,287)	924,386	1,600,673
0	0	0	0	0	0	48,518	13,030	(35,488)
0	0	0	0	0	0	(1,017,097)	(867,130)	149,967
0	0	0	0	0	0	(968,579)	(854,100)	114,479
2,809	3,075	266	(62,724)	(599,278)	(536,554)	(1,644,866)	70,286	1,715,152
147,746	147,746	0	849,891	849,891	0	4,192,724	4,192,724	0
0	0	0	115,462	115,462	0	244,995	244,995	0
\$150,555	\$150,821	\$266	\$902,629	\$366,075	(\$536,554)	\$2,792,853	\$4,508,005	\$1,715,152

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Sales	\$157,176	\$0	\$157,176
Charges for Services	0	161,565	161,565
<i>Total Operating Revenues</i>	<u>157,176</u>	<u>161,565</u>	<u>318,741</u>
<u>Operating Expenses:</u>			
Salaries	138,212	0	138,212
Fringe Benefits	46,964	0	46,964
Purchased Services	783	95,450	96,233
Materials and Supplies	1,661	0	1,661
Cost of Sales	166,908	0	166,908
Depreciation	7,941	0	7,941
Claims	0	1,018,257	1,018,257
<i>Total Operating Expenses</i>	<u>362,469</u>	<u>1,113,707</u>	<u>1,476,176</u>
Operating Loss	<u>(205,293)</u>	<u>(952,142)</u>	<u>(1,157,435)</u>
<u>Non-Operating Revenues:</u>			
Federal and State Subsidies	175,451	0	175,451
Federal Donated Commodities	35,781	0	35,781
Interest	1,223	0	1,223
Donated Assets	14,297	0	14,297
<i>Total Non-Operating Revenues</i>	<u>226,752</u>	<u>0</u>	<u>226,752</u>
Income (Loss) Before Operating Transfers	21,459	(952,142)	(930,683)
Operating Transfers In	0	854,100	854,100
Net Income	21,459	(98,042)	(76,583)
Fund Equity at Beginning of Year -	<u>177,001</u>	<u>178,304</u>	<u>355,305</u>
Total Fund Equity at End of Year	<u><u>\$198,460</u></u>	<u><u>\$80,262</u></u>	<u><u>\$278,722</u></u>

See accompanying notes to the general purpose financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**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, 2002**

	<i>ENTERPRISE FUND</i>			<i>INTERNAL SERVICE FUND</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>						
Sales	\$206,800	\$158,064	(\$48,736)	\$0	\$0	\$0
Charges for Services	0	0	0	39,000	35,601	(3,399)
Interest	1,200	1,223	23	0	0	0
Federal and State Subsidies	187,000	175,451	(11,549)	0	0	0
<i>Total Revenues</i>	<u>395,000</u>	<u>334,738</u>	<u>(60,262)</u>	<u>39,000</u>	<u>35,601</u>	<u>(3,399)</u>
<i>Expenses:</i>						
Salaries	143,000	134,033	8,967	0	0	0
Fringe Benefits	79,000	50,035	28,965	760,000	889,063	(129,063)
Purchased Services	11,000	3,983	7,017	0	0	0
Materials and Supplies	147,931	137,272	10,659	0	0	0
Capital Outlay	16,678	16,678	0	0	0	0
<i>Total Expenses</i>	<u>397,609</u>	<u>342,001</u>	<u>55,608</u>	<u>760,000</u>	<u>889,063</u>	<u>(129,063)</u>
Excess of Revenues Under Expenses	(2,609)	(7,263)	(4,654)	(721,000)	(853,462)	(132,462)
Operating Transfers-In	0	0	0	901,000	854,100	(46,900)
Excess of Revenues Over (Under) Expenses and Transfers	(2,609)	(7,263)	(4,654)	180,000	638	(179,362)
Fund Equity at Beginning of Year	192,879	192,879	0	0	0	0
Prior Year Encumbrances Appropriated	2,249	2,249	0	0	0	0
Fund Equity at End of Year	<u>\$192,519</u>	<u>\$187,865</u>	<u>(\$4,654)</u>	<u>\$180,000</u>	<u>\$638</u>	<u>(\$179,362)</u>

See accompanying notes to the general purpose financial statements

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Proprietary Fund Types</i>		Totals (Memorandum Only)
	Enterprise	Internal Service	
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$158,064	\$0	\$158,064
Cash Received from Quasi-External Transactions with Other Funds	0	161,565	161,565
Cash Payments to Suppliers for Goods and Services	(137,018)	(95,450)	(232,468)
Cash Payments to Employees for Services	(134,033)	0	(134,033)
Cash Payments for Employee Benefits	(50,035)	0	(50,035)
Cash Payments for Claims	0	(1,015,190)	(1,015,190)
Net Cash Used for Operating Activities	<u>(163,022)</u>	<u>(949,075)</u>	<u>(1,112,097)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	175,451	0	175,451
Operating Transfers	0	854,100	854,100
Payments Received from Other Governments	0	297,419	297,419
Short-Term Loans to Other Governments	0	(225,419)	(225,419)
Net Cash Provided by Noncapital Financing Activities	<u>175,451</u>	<u>926,100</u>	<u>1,101,551</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(2,098)	0	(2,098)
<u>Cash Flows from Investing Activities:</u>			
Interest	1,223	0	1,223
Net Increase (Decrease) in Cash and Cash Equivalents	11,554	(22,975)	(11,421)
Cash and Cash Equivalents at Beginning of Year	195,128	59,670	254,798
Cash and Cash Equivalents at End of Year	<u>\$206,682</u>	<u>\$36,695</u>	<u>\$243,377</u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>			
Operating Loss	(\$205,293)	(\$952,142)	(\$1,157,435)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>			
Depreciation	7,941	0	7,941
Donated Commodities Received During Year	35,781	0	35,781
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	888	0	888
Increase in Inventory Held for Resale	(3,572)	0	(3,572)
Decrease in Materials and Supplies Inventory	125	0	125
Decrease in Accounts Payable	(2,090)	0	(2,090)
Increase in Accrued Wages and Benefits	739	0	739
Decrease in Compensated Absences Payable	(2,510)	0	(2,510)
Increase in Intergovernmental Payable	4,969	0	4,969
Increase in Claims Payable	0	3,067	3,067
Total Adjustments	<u>42,271</u>	<u>3,067</u>	<u>45,338</u>
Net Cash Used for Operating Activities	<u>(\$163,022)</u>	<u>(\$949,075)</u>	<u>(\$1,112,097)</u>

Non-Cash Transactions:

During fiscal year 2002, the School District received \$35,781 in donated commodities.
The enterprise fund also received donated fixed assets in the amount of \$14,297 from the governmental funds.

See accompanying notes to the general purpose financial statements

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1931 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 52 square miles. It is located in Ross County, and includes Huntington Township. It is staffed by 52 non-certificated employees, 91 certificated full-time teaching personnel, and 5 administrative employees who provide services to 1,370 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 School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- ▶ Parent Teacher Organization
- ▶ Ross County Educational Service Center

The School District participates in seven organizations, four of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a claims servicing pool. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Joint Vocational School, the Great Seal Education Network of Tomorrow, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Ohio School Plan, and the Ross County School Employees Insurance Consortium. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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).

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 only fiduciary funds of the School District are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

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.

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 (e.g., revenues) and decreases (e.g., expenses) in net total assets

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported 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 governmental funds.

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

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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service Fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is not budgeted within the Internal Service Fund. The legal level of budgetary control is at the fund level. Any budgetary modification at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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 that was in effect at the time the final appropriations were passed by the Board of Education.

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 the legal level of control.

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, two supplemental appropriations were legally enacted; however, neither of these amendments was 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 by the Board of Education as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 Districts records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

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 claims administrator and the fiscal agent at June 30, 2002, is presented as "Cash and Cash Equivalents with Fiscal Agent" on the balance sheet. During fiscal year 2002, the School District held retainage monies for the construction of school additions. The retainage monies are presented as "Restricted Assets: Cash and Cash Equivalents with Escrow Agent" and Cash and Cash Equivalents on the balance sheet..

During fiscal year 2002, investments were limited to repurchase agreements and certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$68,967 which includes \$21,489 assigned from other School District funds.

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. (consumption method) Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale. Proprietary inventories are expensed when received.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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 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.

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. 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.

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. For governmental funds, 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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

I. 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.

J. 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.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set aside by the School District for the creation of a reserve for budget stabilization and amounts held in escrow as retainage on construction contracts. See Note 18 for additional information regarding set-asides.

L. Fund Balance Reserves

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

M. 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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

N. 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. After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings.

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.

O. 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, the Disadvantaged Pupil Impact Aid, Title VI and Title VI-R Special Revenue Funds had deficit fund balances of \$16,730, \$27, and \$2,372, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2002, which is in violation of Ohio Rev. Code Section 5705.41(B)

<u>Fund Type/Fund</u>	<u>Appropriation</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue Funds:			
School Net Professional Development	\$8,142	\$8,152	(\$10)
Title VI	9,186	11,226	(2,040)
CIP Goals 2000	29,207	30,180	(973)
Intervention Grant	27,589	33,026	(5,437)
Internal Service Fund	760,000	889,063	(129,063)

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

B. Compliance *(continued)*

The following funds experience negative budget basis fund balances at May 30, 2002. This is in violation of Ohio Rev. Code Section 5705.10.

Fund / Fund Number	Negative Fund Balance Amount
Employees Benefits Self Insurance Fund	\$60,339
Title VI-B	17,711
Title VI-R	32,113

NOTE 4 - 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).
5. The School District does not budget for all activities of the fiscal agent who collects and holds assets for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$685,905	(\$17,326)	\$2,572	(\$581,139)
Adjustments:				
Revenue Accruals	(11,346)	60,476	503	0
Expenditure Accruals	139,995	(1,991)	0	(4,951)
Encumbrances	(179,799)	(9,425)	0	(13,188)
Budget Basis	<u>\$634,755</u>	<u>\$31,734</u>	<u>\$3,075</u>	<u>(\$599,278)</u>

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$21,459	(\$98,042)
Adjustments:		
Revenue Accruals	(13,409)	0
Expense Accruals	(7,692)	3,068
Depreciation	7,941	0
Capital Outlay	2,098	0
Nonbudgeted Activity	0	96,406
Encumbrances	(17,660)	(794)
Budget Basis	<u>(\$7,263)</u>	<u>\$638</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 5 - DEPOSITS AND INVESTMENTS *(continued)*

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.

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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 5 - DEPOSITS AND INVESTMENTS *(continued)*

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 \$2,163,776 and the bank balance was \$2,390,649. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,290,649 was collateralized by pooled securities pledged by the depository. Although the securities serving as collateral were held by the pledging financial institution agent in their name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 3	Carrying and Fair Value
Repurchase Agreements	\$2,836,000	\$2,836,000

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$4,999,776	\$0
Investment:		
Repurchase Agreements	(2,836,000)	2,836,000
GASB Statement No. 3	\$2,163,776	\$2,836,000

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES

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

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 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. 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 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$33,283,320	89.89%	\$38,902,370	91.81%
Public Utility	3,274,580	8.84%	2,979,880	7.03%
Tangible Personal Property	469,040	1.27%	492,200	1.16%
Total Assessed Value	\$37,026,940	100.00%	\$42,374,450	100.00%
Tax rate per \$1,000 of assessed valuation	\$32.40		\$31.50	

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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES *(continued)*

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was \$65,816 in the General Fund, \$1,452 in the Classroom Facilities Maintenance Special Revenue Fund, and \$8,226 in the Debt Service Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (tuition and student fees), accrued interest, and intergovernmental grants. The Self-Insurance Internal Service Fund intergovernmental receivable consists of claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the School District. 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:

	Amounts
Special Revenue Funds:	
Title I	\$57,610
Title IV	2,633
Title VI-B	1,440
Title II	1,108
Drug Free Schools	580
Total Special Revenue Funds	63,371
Internal Service Fund:	
Short-Term Loans to Other Governments	225,419
Total All Funds	\$288,790

NOTE 8 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$109,663
Less: Accumulated Depreciation	(81,321)
Net Fixed Assets	\$28,342

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 8 - FIXED ASSETS *(continued)*

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	Restated Balance at 6/30/01	Additions	Deductions	Balance at 6/30/02
Land and Improvements	\$407,708	\$26,463	\$0	\$434,171
Buildings and Improvements	8,697,291	9,143,579	0	17,840,870
Furniture, Fixtures and Equipment	1,332,929	100,196	94,402	1,338,723
Vehicles	954,892	66,310	34,723	986,479
Construction in Progress	8,683,110	439,672	8,683,110	439,672
Total General Fixed Assets	<u>\$20,075,930</u>	<u>\$9,776,220</u>	<u>\$8,812,235</u>	<u>\$21,039,915</u>

NOTE 9 - 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 2002, the School District contracted with Indiana Insurance for building and contents and fleet insurance.

Insurance coverage provided includes the following:

Building and Contents replacement cost (\$250 deductible)	\$22,910,073
Inland Marine Coverage (\$250 deductible)	110,000
Automobile Liability (\$250 deductible)	300,000
Uninsured Motorists (\$250 deductible)	300,000

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 17)

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 9 - RISK MANAGEMENT *(continued)*

General Liability:	
Bodily Injury and Property Damage - Each Occurrence Limit and Sexual Abuse Injury - Each Sexual Abuse Offense Limit	\$1,000,000
Personal and Advertising Injury - Each Offense Limit	1,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Medical Expense - Each Accident Limit	10,000
General Aggregate Limit	3,000,000
Products - Completed Operations Limit	1,000,000
Employee Benefits Liability Endorsement:	
Employee Benefits Injury - Each Offense Limit	1,000,000
Employee Benefits Injury - Aggregate Limit	2,000,000
Employer's Liability and Stop Gap Endorsement:	
Bodily Injury by Accident - Each Accident Limit	1,000,000
Bodily Injury by Disease - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been a significant increase in insurance coverage from last year due to the School District's enrollment in the Ohio School Plan which has allowed for greater coverage.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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.

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 sixteen 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 \$181,852 reported in the internal service fund at June 30, 2002, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 9 - RISK MANAGEMENT *(continued)*

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2001	\$150,369	\$1,291,128	\$1,262,712	\$178,785
2002	178,785	1,018,257	1,015,190	181,852

NOTE 10 - 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 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, 2002, 2001, and 2000 were \$66,810, \$38,439, and \$35,634, respectively; 51.20 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$32,606, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. 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,

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 10 - DEFINED BENEFIT PENSION PLANS *(continued)*

2002, 2001, and 2000 were \$407,171, \$417,002, and \$230,118, respectively; 82.84 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$69,890 represents the unpaid contribution for fiscal year 2002 and 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, 2002, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$192,871 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, 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 2002 fiscal year equaled \$122,853.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 11 - POSTEMPLOYMENT BENEFITS *(continued)*

(the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible 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 47 days for certified employees.

B. Insurance Benefits

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

C. Special Termination Benefit

The Board of Education approved a Special Termination Benefit program. All individuals with 30 years of STRS retirement credit are eligible for a one-time \$10,000 severance bonus. For the bonus to be collected, an individual's retirement must be completed no later than August 1 following the school year in which the individual first becomes eligible to retire. The individual must submit a written notification to the Superintendent by March 1 in order to receive the incentive. During fiscal year 2002, two employees took advantage of this incentive and both were paid before fiscal year end.

D. Deferred Compensation

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

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2002, and in prior years, the School District 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.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$124,465. 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 2002 totaled \$20,800 in the governmental funds. The School District entered into a new lease prior to the full retirement of the old lease. Therefore, the balance of \$5,978 remaining on the old lease was eliminated on the financial statements upon entering into the new lease.

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, 2002.

Fiscal Year Ending June 30,	GLTDAG
2003	\$29,798
2004	26,685
2005	20,930
2006	16,442
2007	5,806
Total	99,661
Less: Amount Representing Interest	(13,813)
Present Value of Net Minimum Lease Payments	\$85,848

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
<u>General Obligation Bonds:</u>				
1989 School Improvement Bonds, 6.40%	\$165,000	\$0	\$20,000	\$145,000
1998 School Improvement Bonds, 5.15%	1,025,000	0	30,000	995,000
Total General Obligation Bonds	1,190,000	0	50,000	1,140,000
<u>Other Long-Term Obligations:</u>				
Capital Leases	88,765	23,861	26,778	85,848
Pension Obligation	63,022	63,445	63,022	63,445
Compensated Absences	417,762	14,196	0	431,958
Total Long-Term Obligations	\$1,759,549	\$101,502	\$139,800	\$1,721,251

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

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

The School District's overall legal debt margin was \$2,832,748 with an unvoted debt margin of \$42,374 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$55,000	\$59,185	\$114,185
2004	55,000	55,873	110,873
2005	60,000	52,376	112,376
2006	65,000	48,573	113,573
2007	65,000	44,639	109,639
2008-2012	260,000	176,946	436,946
2013-2017	290,000	113,385	403,385
2018-2021	290,000	31,158	321,158
Total	<u>\$1,140,000</u>	<u>\$582,135</u>	<u>\$1,722,135</u>

NOTE 15 - CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had the following contractual purchase commitments:

Contractor	Contract Amount	Amount Expended	Balance 6/30/02
Croson Teepe	\$1,983,856	\$1,971,218	\$12,638
W E Monks & Co.	8,000	6,500	1,500
W E Monks & Co.	6,000	500	5,500
General Temperature Control	450,671	432,672	17,999
Innovative Functions	54,075	0	54,075
Barry Haubeil Construction	85,000	0	85,000

**HUNTINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 16 - 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, Jackson, 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 county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$2,798 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. The Council possesses its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 17 - 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.

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

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 sixteen 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.

NOTE 18 - 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.

For the fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refunds received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 18 - SET-ASIDE CALCULATIONS *(continued)*

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2001	\$0	\$0	\$35,901
Current Year Set-aside Requirement	165,565	165,565	0
Current Year Offsets	0	(20,094)	0
Qualifying Disbursements	<u>(165,565)</u>	<u>(145,471)</u>	<u>0</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$35,901</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had qualifying disbursements and offsets during the fiscal year that would reduce the textbooks and capital improvements set-aside amounts below zero, and the extra amount for textbooks may be used to reduce the set-aside requirement of future years, the School District has decided not to carry over such negative balances to the next year.

NOTE 19 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 20 - PRIOR YEAR RESTATEMENTS

During the fiscal year an error was discovered concerning fixed assets (land and improvements) from the prior year. This error can be summarized as follows:

Fund Type/Account Group	Balance at 6/30/01	Restatement Amount	Balance at 6/30/01
Fixed Assets Account Group	\$19,986,593	\$ 89,337	\$ 20,075,930

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2002.

B. Litigation

The School District is not party to legal proceedings.

NOTE 22 - SUBSEQUENT EVENT

On July 1, 2002, the Ross County School Employees Insurance Consortium changed their third party administrator from Professional Risk Management Company to Klais & Company, Incorporated.

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor / Pass through Grantor / Program Title	Pass through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution (See Note "B")		10.550	\$0	\$29,333	\$0	\$35,781
National School Breakfast Program	05-PU 01/02	10.553	23,699	0	23,699	0
National School Lunch Program	LL-P4 01/02	10.555	140,952	0	140,952	0
Total U.S. Department of Agriculture			<u>164,651</u>	<u>29,333</u>	<u>164,651</u>	<u>35,781</u>
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I	C1-S1 01/02	84.010	362,207	0	308,285	0
Drug Free Federal Subsidy	DRS1-01/02	84.186	2,846	0	2,438	0
Title VIB	6B-SF-01/02 P	84.027	112,112	0	93,390	0
Goals 2000	G2S2-01	84.276	11,618	0	31,098	0
Eisenhower Professional Development	MS-S1-01/02	84.281	10,069	0	7,494	0
Titles VI	C2S1-01/02	84.298	9,186	0	11,226	0
Titles VIR	CRS1-01/02	84.340	78,408	0	73,851	0
Assistive Technology Infusion	ATS1-02	84.352a	8,869	0	8,867	0
Total U. S Department of Education			<u>595,315</u>	<u>0</u>	<u>536,649</u>	<u>0</u>
Total Federal Awards			<u><u>\$759,966</u></u>	<u><u>\$29,333</u></u>	<u><u>\$701,300</u></u>	<u><u>\$35,781</u></u>

See Accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

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, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS 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, 2002, and have issued our report thereon dated November 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2002-10771-001 and 2002-10771-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 25, 2002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted 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 November 25, 2002.

Huntington Local School District
Ross County
Report on Compliance and on Internal Control Required
By *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

JIM PETRO
Auditor of State

November 25, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 is applicable to the major federal program for the year ended June 30, 2002. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Huntington Local School District, Ross County, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the year ended June 30, 2002.

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.

Huntington Local School District
Ross County
Report On Compliance with Requirements Applicable to
the Major Federal Program and Internal Control Over Compliance
In Accordance with *OMB Circular A-133*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

November 25, 2002

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Program (list):	<u>Nutrition Cluster:</u> CFDA #10.550 Food Distribution CFDA #10.553 National School Breakfast CFDA #10.555 National School Lunch
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002
(Continued)**

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

Finding Number	2002-10771-001
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Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend monies unless it has been appropriated. For the fiscal year ended June 30, 2002, District expenditures exceeded appropriations in the Internal Service Fund by \$129,063.

The District should not make any expenditure of money unless sufficient spending authority is available. Budgetary amendments and adjustments should be timely approved by the Board and made by the Treasurer when necessary.

Finding Number	2002-10771-002
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Negative Fund Balance

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purpose for which such fund was established. The existence of a deficit balance in any fund indicates that money from another fund has been used to pay obligations of the fund or funds carrying the deficit balance.

At May 31, 2002, the following funds experienced deficit fund balances:

Fund / Fund Number	Negative Fund Balance Amount
Internal Service Fund – 024	\$60,339
Special Revenue Fund – 516	17,711
Special Revenue Fund – 590	32,113

The District should advance monies from the General Fund to any fund which it is anticipated a deficit will exist if additional expenditures are made.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10771-001	Ohio Rev. Code Section 5705.41(B) and 5705.41(D): the District did not certify expenditures prior to encumbrance and expenditures exceeded appropriations.	Partially Corrected	Repeated Ohio Rev. Code Section 5705.41(B) as Finding 2002-10771-001



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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
FEBRUARY 13, 2003**