



**Auditor of State
Betty Montgomery**

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Independent Accountants' Report | 1 |
| Management's Discussion and Analysis | 3 |
| Statement of Net Assets | 13 |
| Statement of Activities..... | 14 |
| Balance Sheet – Governmental Funds..... | 15 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities | 16 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds..... | 17 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 18 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non- GAAP Budget Basis) – General Fund | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non- GAAP Budget Basis) – Food Service Special Revenue Fund | 20 |
| Statement of Fund Net Assets – Internal Service Fund | 21 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Fund..... | 22 |
| Statement of Cash Flows – Internal Service Fund | 23 |
| Statement of Fiduciary Net Assets – Fiduciary Funds..... | 24 |
| Statement of Changes in Fiduciary Net Assets – Fiduciary Fund..... | 25 |
| Notes to the Basic Financial Statements..... | 27 |
| Schedule of Federal Awards Receipts and Expenditures..... | 51 |
| Notes to the Schedule of Federal Awards Receipts and Expenditures..... | 52 |
| Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 53 |
| Independent Accountants' Report on Compliance with Requirements Applicable Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133 | 55 |
| Schedule of Findings | 57 |
| Schedule of Prior Audit Findings | 58 |

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huntington Local School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Huntington Local School District, Ross County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General fund and Food Service fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the *Governmental Accounting Standards Board* requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 5, 2004

Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of the Huntington Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information of the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- ' Net assets of governmental activities decreased \$48,806 from fiscal year 2002. This is due primarily to the School District's current year depreciation expense.
- ' General revenues accounted for \$8,248,214 or 77 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,504,101 or 23 percent of total revenues of \$10,752,315.
- ' Total assets of governmental activities decreased by \$75,237. Capital assets decreased by \$645,586 due to current year depreciation. Total current assets increased \$570,349 due primarily to General fund cash expenditures being considerably less than the cash receipts, thus increasing the current year balance in Equity in Pooled Cash and Cash Equivalents.
- ' The School District had \$10,801,121 in expenses related to governmental activities; only \$2,504,101 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily grants and entitlements and property taxes) of \$8,248,214 were used to provide for these programs along with cash balances from the prior year.

Using this Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Huntington Local School District as a financial whole, an entire operating entity.

Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The major funds for the Huntington Local School District are the General fund and the Food Service Special Revenue fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2003?"

The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Fund – Proprietary funds use the same basis of accounting as business-type activities. The internal service fund is used to report activities that provide services to the School District's other funds and departments.

Fiduciary Funds – The School District's fiduciary funds are a private purpose trust fund and an agency fund. All of the School District's fiduciary funds are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal years 2003 and 2002:

(Table 1)
Net Assets
Governmental Activities

| | 2003 | 2002 |
|--|--------------|--------------|
| Assets | | |
| Current and Other Assets | \$6,831,522 | \$6,261,173 |
| Capital Assets | 15,647,771 | 16,293,357 |
| Total Assets | 22,479,293 | 22,554,530 |
| Liabilities | | |
| Long-Term Liabilities | 1,677,015 | 1,669,507 |
| Other Liabilities | 2,144,549 | 2,178,488 |
| Total Liabilities | 3,821,564 | 3,847,995 |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | 14,495,818 | 15,067,509 |
| Restricted | 585,053 | 973,921 |
| Unrestricted | 3,576,858 | 2,665,105 |
| Total Net Assets | \$18,657,729 | \$18,706,535 |

Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Total assets decreased \$75,237. Equity in pooled cash and cash equivalents increased \$293,816 due primarily to General fund cash expenditures being considerably less than the cash receipts, thus increasing the current year balance. Cash and Cash Equivalents with Fiscal Agent increased \$158,860 due to an increase in the premiums paid for coverage to the consortium and a decrease in the current year claims submitted. Current liabilities decreased \$33,939 due primarily to a decrease in the current year claims submitted, thus decreasing Claims Payable. Capital Assets decreased by \$645,586 due to current year depreciation.

Table 2, shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as fees, restricted grants and interest and charges for services. General Revenues include taxes and unrestricted grants, such as state foundation support.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years.

Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

(Table 2)

Change in Net Assets
Governmental Activities

| | 2003 |
|--|------------|
| Revenues | |
| Program Revenues: | |
| Charges for Services | \$359,359 |
| Operating Grants, Contributions, and Interest | 2,130,069 |
| Capital Grants and Contributions | 14,673 |
| Total Program Revenues | 2,504,101 |
| General Revenues: | |
| Property Taxes | 991,885 |
| Grants and Entitlements not Restricted to Specific Programs | 6,818,999 |
| Investment Earnings | 67,340 |
| Rentals | 6,458 |
| Miscellaneous | 363,532 |
| Total General Revenues | 8,248,214 |
| Total Revenues | 10,752,315 |
| Program Expenses | |
| Instruction | |
| Regular | 5,880,857 |
| Special | 607,444 |
| Vocational | 56,726 |
| Support Services | |
| Pupils | 322,068 |
| Instructional Staff | 299,697 |
| Board of Education | 14,553 |
| Administration | 658,422 |
| Fiscal | 500,910 |
| Operation and Maintenance of Plant | 1,097,512 |
| Pupil Transportation | 606,278 |
| Operation of Non-Instructional Services | 372,630 |
| Extracurricular Activities | 319,528 |
| Interest and Fiscal Charges | 64,496 |
| Total Expenses | 10,801,121 |
| Decrease in Net Assets | (\$48,806) |

Grants and Entitlements not Restricted to Specific Programs made up 63 percent of the total revenue for governmental activities of the Huntington Local School District for fiscal year 2003. Property Tax revenue made up 9 percent of the total revenue for governmental activities for a total of 72 percent of all revenue coming from property taxes and grants and entitlements not Restricted to Specific Programs.

Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Regular instruction makes up 54 percent of governmental program expenses. Support services expenses make up 32 percent of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants, including interest, offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are cost that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations, and interest. Comparisons to 2002 have not been made since they are not available.

(Table 3)
Governmental Activities

| | Total Cost of Services 2003 | Net Cost of Services 2003 |
|--|-----------------------------------|---------------------------------|
| | <u>2003</u> | <u>2003</u> |
| Instruction | \$6,545,027 | \$5,011,823 |
| Support Services | 3,499,440 | 3,023,209 |
| Operation of Non- | | |
| Instructional Services (Food Services) | 372,630 | 49,536 |
| Extracurricular Activities | 319,528 | 147,956 |
| Interest and Fiscal Charges | 64,496 | 64,496 |
| Total Expenses | <u>\$10,801,121</u> | <u>\$8,297,020</u> |

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,708,766 and expenditures of \$10,390,166. The net change in fund balance for the year was most significant in the General fund with an increase of \$709,897 due primarily to General fund cash expenditures being considerably less than the cash receipts, thus increasing the current year balance in Equity in Pooled Cash and Cash Equivalents. The Food Service fund balance decreased due to employee salary and benefits expenditure increases.

Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

General Fund - Budget Highlights

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

During the course of fiscal 2003 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 19, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the general fund, budget basis revenue was \$9,031,344 with original budget estimates of \$8,141,119. The difference of \$890,225 was due primarily to an increase in actual state foundation monies received compared to the original estimate. Budget basis expenditures were \$8,400,945 with original budget estimates of \$9,850,062. The difference of \$1,449,117 was due primarily to the School District monitoring the actual expenditures made in all line items, especially Regular Instruction.

The School District's ending unobligated cash balance was \$2,713,162 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003 the School District had \$15,647,771 invested in land, land improvements, buildings and improvements, furniture, fixtures, equipment, textbooks, and vehicles. Table 4 shows fiscal year 2003 balances compared to 2002:

(Table 4)

Capital Assets at June 30
(Net of Depreciation)
Governmental Activities

| | 2003 | 2002 |
|--|--------------|--------------|
| Land | \$369,307 | \$369,307 |
| Construction in Progress | 0 | 439,672 |
| Land Improvements | 388,674 | 429,665 |
| Buildings and Improvements | 13,469,063 | 13,386,307 |
| Furnitures, Fixtures, Equipment and Textbooks | 1,086,612 | 1,343,725 |
| Vehicles | 334,115 | 324,681 |
| Totals | \$15,647,771 | \$16,293,357 |

Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The primary decrease was due to the conclusion of the construction in progress, with that portion being moved to buildings and improvements and current year depreciation. (see Note 9 in the Notes to the Basic Financial Statements).

Debt

At June 30, 2003 the School District had \$1,085,000 in total bonds outstanding, of which \$55,000 is due within one year. The School District also had capital lease obligations outstanding of \$66,953, of which \$23,487 is due with one year. Table 5 summarizes the bonds outstanding:

(Table 5)
Outstanding Debt, at Year End
Governmental Activities

| | 2003 | 2002 |
|-------------------------------|-------------|-------------|
| 1989 School Improvement Bonds | \$125,000 | \$145,000 |
| 1998 School Improvement Bonds | 960,000 | 995,000 |
| Capital Leases | 66,953 | 85,848 |
| Totals | \$1,151,953 | \$1,225,848 |

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.

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.

The School District has entered into capitalized leases for copiers.

The School District's overall legal debt margin was \$3,022,496 with an unvoted debt margin of \$43,834 at June 30, 2003. (see Note 15 in the Notes to the Basic Financial Statements).

Current Issues

The Huntington Local Schools financial status continues to look healthy. While this is good news for the District, the school funding in Ohio is still uncertain (see Note 20 in the Notes to the Basic Financial Statements). This is the most important challenge confronting the District.

The School District was created in 1931 by the merger of ten one-room schools. The School District is located on one campus in a very low-wealth area of Ross County in southern Ohio. The School District is

Huntington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

rated 611 out of 612 districts in property valuation per pupil in the State of Ohio with thirty-eight percent of the School District's students receiving free or reduced meals. The State of Ohio provides the majority of the funding received by the School District. Student enrollment of 1,373 has remained steady over the last few years.

The Ohio Department of Education evaluates the School District's educational progress through a report card. The Department of Education has created a point indicator system based upon the results of the School District's student proficiency tests in the 4th, 6th, and 9th grades. The report card also evaluates the School District's student attendance rate and graduation rate. The School District's rating for 2003 was Academic Watch. The School District met 7 of the 22 indicators.

The elementary school was constructed in 1979 through the state building assistance program and the high school was constructed in 1985 through the same program. The middle school was built in 2000 through the Classroom Facilities building program.

Contacting the School District's Financial Management

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

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Huntington Local School District
Statement of Net Assets
June 30, 2003

| | Governmental Activities |
|---|----------------------------|
| <u>Assets:</u> | |
| Equity in Pooled Cash and Cash Equivalents | \$5,211,190 |
| Cash and Cash Equivalents With Fiscal Agent | 207,763 |
| Materials and Supplies Inventory | 23,566 |
| Accrued Interest Receivable | 2,167 |
| Accounts Receivable | 2,482 |
| Intergovernmental Receivable | 331,435 |
| Prepaid Items | 28,996 |
| Taxes Receivable | 1,023,923 |
| Capital Assets: | |
| Land | 369,307 |
| Depreciable Capital Assets, Net | 15,278,464 |
| <i>Total Assets</i> | 22,479,293 |
| <u>Liabilities:</u> | |
| Accounts Payable | 16,610 |
| Accrued Wages and Benefits Payable | 858,649 |
| Intergovernmental Payable | 246,181 |
| Accrued Interest Payable | 7,931 |
| Deferred Revenue | 905,583 |
| Claims Payable | 109,595 |
| Long-Term Liabilities: | |
| Due Within One Year | 137,457 |
| Due In More Than One Year | 1,539,558 |
| <i>Total Liabilities</i> | 3,821,564 |
| <u>Net Assets:</u> | |
| Invested in Capital Assets, Net of Related Debt | 14,495,818 |
| Restricted for: | |
| Debt Service | 165,675 |
| Capital Projects | 101,750 |
| Other Purposes | 235,447 |
| Set Asides | 82,181 |
| Unrestricted | 3,576,858 |
| <i>Total Net Assets</i> | \$18,657,729 |

See accompanying notes to the basic financial statements

Huntington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | |
|--|---------------------|--------------------------------------|--|---|----------------------------|
| | Expenses | Charges for Services and Sales | Operating Grants, Contributions, and Interest | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$5,880,857 | \$43,965 | \$1,016,752 | \$14,673 | (\$4,805,467) |
| Special | 607,444 | 0 | 457,814 | 0 | (149,630) |
| Vocational | 56,726 | 0 | 0 | 0 | (56,726) |
| Support Services: | | | | | |
| Pupil | 322,068 | 0 | 0 | 0 | (322,068) |
| Instructional Staff | 299,697 | 0 | 3,000 | 0 | (296,697) |
| Board of Education | 14,553 | 0 | 0 | 0 | (14,553) |
| Administration | 658,422 | 0 | 0 | 0 | (658,422) |
| Fiscal | 500,910 | 0 | 0 | 0 | (500,910) |
| Operation and Maintenance of Plant | 1,097,512 | 0 | 0 | 0 | (1,097,512) |
| Pupil Transportation | 606,278 | 0 | 473,231 | 0 | (133,047) |
| Operation of Non-Instructional Services: | | | | | |
| Food Services | 372,630 | 143,822 | 179,272 | 0 | (49,536) |
| Extracurricular Activities | 319,528 | 171,572 | 0 | 0 | (147,956) |
| Interest and Fiscal Charges | 64,496 | 0 | 0 | 0 | (64,496) |
| Total Governmental Activities | \$10,801,121 | \$359,359 | \$2,130,069 | \$14,673 | (8,297,020) |
| General Revenues | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | 870,394 | |
| Debt Service | | | | 103,003 | |
| Capital Outlay | | | | 18,488 | |
| Grants and Entitlements not Restricted | | | | | |
| to Specific Programs | | | | 6,818,999 | |
| Investment Earnings | | | | 67,340 | |
| Rentals | | | | 6,458 | |
| Miscellaneous | | | | 363,532 | |
| Total General Revenues | | | | 8,248,214 | |
| Change in Net Assets | | | | (48,806) | |
| Net Assets Beginning of Year - Note 3 | | | | 18,706,535 | |
| Net Assets End of Year | | | | \$18,657,729 | |

See accompanying notes to the basic financial statements

Huntington Local School District

*Balance Sheet
Governmental Funds
June 30, 2003*

| | General | Food Service | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|------------------|--------------------------------|--------------------------------|
| <u>Assets:</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$4,498,466 | \$176,172 | \$449,007 | \$5,123,645 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 82,181 | 0 | 0 | 82,181 |
| Receivables: | | | | |
| Taxes | 898,274 | 0 | 125,649 | 1,023,923 |
| Accounts | 2,482 | 0 | 0 | 2,482 |
| Intergovernmental | 18,335 | 532 | 87,232 | 106,099 |
| Accrued Interest | 2,167 | 0 | 0 | 2,167 |
| Interfund | 1,538 | 0 | 0 | 1,538 |
| Prepaid Items | 28,996 | 0 | 0 | 28,996 |
| Materials and Supplies Inventory | 15,879 | 7,687 | 0 | 23,566 |
| Total Assets | \$5,548,318 | \$184,391 | \$661,888 | \$6,394,597 |
| <u>Liabilities:</u> | | | | |
| Accounts Payable | \$11,103 | \$0 | \$5,507 | \$16,610 |
| Accrued Wages and Benefits Payable | 734,931 | 32,599 | 91,119 | 858,649 |
| Intergovernmental Payable | 151,927 | 4,105 | 3,797 | 159,829 |
| Interfund Payable | 0 | 0 | 1,538 | 1,538 |
| Deferred Revenue | 822,398 | 0 | 157,752 | 980,150 |
| Total Liabilities | 1,720,359 | 36,704 | 259,713 | 2,016,776 |
| <u>Fund Balances:</u> | | | | |
| Reserved for Encumbrances | 54,955 | 600 | 15,171 | 70,726 |
| Reserved for Property Taxes | 75,876 | 0 | 11,151 | 87,027 |
| Reserved for Textbooks and Instructional Materials | 82,181 | 0 | 0 | 82,181 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 3,614,947 | 0 | 0 | 3,614,947 |
| Special Revenue Funds | 0 | 147,087 | 121,603 | 268,690 |
| Debt Service Fund | 0 | 0 | 152,925 | 152,925 |
| Capital Projects Funds | 0 | 0 | 101,325 | 101,325 |
| Total Fund Balances | 3,827,959 | 147,687 | 402,175 | 4,377,821 |
| Total Liabilities and Fund Balances | \$5,548,318 | \$184,391 | \$661,888 | \$6,394,597 |

See accompanying notes to the basic financial statements

Huntington Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances \$4,377,821

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

| | | |
|--------------------------|--------------|------------|
| Land | 369,307 | |
| Other capital assets | 25,744,896 | |
| Accumulated depreciation | (10,466,432) | |
| Total capital assets | 15,647,771 | 15,647,771 |

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

| | | |
|---------------------------|--------|--------|
| Delinquent property taxes | 31,313 | |
| Intergovernmental | 43,254 | |
| | 74,567 | 74,567 |

The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets 328,868

Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (86,352)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

| | | |
|---------------------------|-------------|-------------|
| Bonds payable | (1,085,000) | |
| Accrued interest on bonds | (7,931) | |
| Capital leases | (66,953) | |
| Compensated absences | (525,062) | |
| Total liabilities | (1,684,946) | (1,684,946) |

Net Assets of Governmental Activities \$18,657,729

See accompanying notes to the basic financial statements

Huntington Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

| | General | Food Service | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|------------------|--------------------------------|--------------------------------|
| <u>Revenues:</u> | | | | |
| Property Taxes | \$861,414 | \$0 | \$120,376 | \$981,790 |
| Intergovernmental | 7,733,492 | 178,521 | 1,017,523 | 8,929,536 |
| Interest | 53,540 | 751 | 13,800 | 68,091 |
| Tuition and Fees | 17,651 | 0 | 0 | 17,651 |
| Extracurricular Activities | 26,314 | 0 | 171,572 | 197,886 |
| Rentals | 6,458 | 0 | 0 | 6,458 |
| Customer Sales and Service | 0 | 143,822 | 0 | 143,822 |
| Miscellaneous | 362,485 | 0 | 1,047 | 363,532 |
| Total Revenues | 9,061,354 | 323,094 | 1,324,318 | 10,708,766 |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,383,642 | 0 | 1,085,301 | 5,468,943 |
| Special | 567,446 | 0 | 23,163 | 590,609 |
| Vocational | 35,907 | 0 | 2,764 | 38,671 |
| Support Services: | | | | |
| Pupils | 272,571 | 0 | 6,775 | 279,346 |
| Instructional Staff | 182,212 | 0 | 2,180 | 184,392 |
| Board of Education | 14,553 | 0 | 0 | 14,553 |
| Administration | 575,777 | 0 | 33,751 | 609,528 |
| Fiscal | 488,370 | 0 | 8,508 | 496,878 |
| Operation and Maintenance of Plant | 1,039,061 | 0 | 14,839 | 1,053,900 |
| Pupil Transportation | 631,252 | 0 | 138 | 631,390 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 0 | 356,171 | 0 | 356,171 |
| Extracurricular Activities | 139,081 | 0 | 158,223 | 297,304 |
| Capital Outlay | 5,034 | 0 | 219,262 | 224,296 |
| Debt Service: | | | | |
| Principal Retirement | 23,929 | 0 | 55,000 | 78,929 |
| Interest and Fiscal Charges | 6,071 | 0 | 59,185 | 65,256 |
| Total Expenditures | 8,364,906 | 356,171 | 1,669,089 | 10,390,166 |
| Excess of Revenues Over (Under) Expenditures | 696,448 | (33,077) | (344,771) | 318,600 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Inception of Capital Lease | 5,034 | 0 | 0 | 5,034 |
| Transfers In | 20,769 | 0 | 12,354 | 33,123 |
| Transfers Out | (12,354) | 0 | (20,769) | (33,123) |
| Total Other Financing Sources (Uses) | 13,449 | 0 | (8,415) | 5,034 |
| Net Change in Fund Balances | 709,897 | (33,077) | (353,186) | 323,634 |
| Fund Balances Beginning of Year - Restated (Note 3) | 3,118,062 | 180,764 | 755,361 | 4,054,187 |
| Fund Balances End of Year | \$3,827,959 | \$147,687 | \$402,175 | \$4,377,821 |

See accompanying notes to the basic financial statements

Huntington Local School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities*
For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$323,634

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|--|-----------|-----------|
| Capital asset additions | 309,112 | |
| Depreciation expense | (951,686) | |
| Excess of depreciation expense over capital outlay | (642,574) | (642,574) |

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.

| | | |
|------------------------------------|--|---------|
| Loss on disposal of capital assets | | (3,012) |
|------------------------------------|--|---------|

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

| | | |
|---------------------------|--------|--------|
| Delinquent property taxes | 10,095 | |
| Intergovernmental | 33,454 | |
| | 43,549 | 43,549 |

The internal service fund used by management to charge the cost of insurance to individual funds is reported in the entity wide statement of activities 248,606

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (5,034)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

| | | |
|--------------------------------|--------|--------|
| Bond payments | 55,000 | |
| Capital lease payments | 23,929 | |
| Total long-term debt repayment | 78,929 | 78,929 |

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

| | | |
|--|----------|----------|
| Increase in compensated absences payable | (81,403) | |
| Decrease in accrued interest payable | 760 | |
| Increase in intergovernmental payable | (12,261) | |
| Total (increase)/decrease | (92,904) | (92,904) |

Change in Net Assets of Governmental Activities (\$48,806)

See accompanying notes to the basic financial statements

Huntington Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2003

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues:</u> | | | | |
| Property Taxes | \$895,500 | \$884,514 | \$851,354 | (\$33,160) |
| Intergovernmental | 6,974,136 | 6,986,519 | 7,715,157 | 728,638 |
| Interest | 59,955 | 60,000 | 53,290 | (6,710) |
| Tuition and Fees | 19,302 | 19,317 | 18,768 | (549) |
| Extracurricular Activities | 28,213 | 28,234 | 26,314 | (1,920) |
| Rentals | 250 | 250 | 6,458 | 6,208 |
| Miscellaneous | 163,763 | 163,881 | 360,003 | 196,122 |
| Total Revenues | 8,141,119 | 8,142,715 | 9,031,344 | 888,629 |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,417,993 | 5,451,249 | 4,427,385 | 1,023,864 |
| Special | 621,900 | 621,900 | 530,392 | 91,508 |
| Vocational | 83,500 | 83,500 | 34,436 | 49,064 |
| Other | 75,000 | 77,148 | 41,412 | 35,736 |
| Support Services: | | | | |
| Pupils | 300,850 | 309,227 | 276,369 | 32,858 |
| Instructional Staff | 240,955 | 240,993 | 180,677 | 60,316 |
| Board of Education | 42,000 | 42,000 | 14,639 | 27,361 |
| Administration | 662,916 | 669,001 | 584,067 | 84,934 |
| Fiscal | 445,500 | 503,481 | 490,303 | 13,178 |
| Operation and Maintenance of Plant | 1,098,200 | 1,168,706 | 1,043,700 | 125,006 |
| Pupil Transportation | 712,948 | 664,156 | 638,940 | 25,216 |
| Extracurricular Activities | 148,300 | 140,398 | 138,625 | 1,773 |
| Total Expenditures | 9,850,062 | 9,971,759 | 8,400,945 | 1,570,814 |
| Excess of Revenues Over (Under) Expenditures | (1,708,943) | (1,829,044) | 630,399 | 2,459,443 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers In | 0 | 6,498 | 20,769 | 14,271 |
| Transfers Out | (187,736) | (255,721) | (16,273) | 239,448 |
| Advances Out | 0 | (1,538) | (1,538) | 0 |
| Total Other Financing Sources (Uses) | (187,736) | (250,761) | 2,958 | 253,719 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (1,896,679) | (2,079,805) | 633,357 | 2,713,162 |
| Fund Balance at Beginning of Year | 3,701,429 | 3,701,429 | 3,701,429 | 0 |
| Prior Year Encumbrances Appropriated | 179,799 | 179,799 | 179,799 | 0 |
| Fund Balance at End of Year | \$1,984,549 | \$1,801,423 | \$4,514,585 | \$2,713,162 |

See accompanying notes to the basic financial statements

Huntington Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Budget Basis)
Food Service Special Revenue Fund
For the Fiscal Year Ended June 30, 2003

| | Budgeted Amounts | | Actual | Variance Positive (Negative) |
|--|------------------|------------------|------------------|------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$187,000 | \$187,000 | \$177,989 | (\$9,011) |
| Interest | 1,200 | 1,200 | 751 | (449) |
| Charges for Services | 211,400 | 211,400 | 143,903 | (67,497) |
| Total Revenues | 399,600 | 399,600 | 322,643 | (76,957) |
| Expenditures: | | | | |
| Current: | | | | |
| Operation of Non-Instructional Services: | | | | |
| Food Service | 437,000 | 454,660 | 352,596 | 102,064 |
| Net Change in Fund Balance | (37,400) | (55,060) | (29,953) | 25,107 |
| Fund Balance at Beginning of Year | 187,864 | 187,864 | 187,864 | 0 |
| Prior Year Encumbrances Appropriated | 17,661 | 17,661 | 17,661 | 0 |
| Fund Balance at End of Year | \$168,125 | \$150,465 | \$175,572 | \$25,107 |

See accompanying notes to the basic financial statements

Huntington Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2003

| | <u>Self-Insurance</u> |
|--|-----------------------|
| <u>Assets:</u> | |
| Equity in Pooled Cash and Cash Equivalents | \$5,364 |
| Cash and Cash Equivalents with Fiscal Agent | 207,763 |
| Receivables: Intergovernmental | 225,336 |
| <i>Total Assets</i> | 438,463 |
| <u>Liabilities:</u> | |
| Claims Payable | 109,595 |
| <u>Net Assets:</u> | |
| Unrestricted | \$328,868 |

See accompanying notes to the basic financial statements

Huntington Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2003

| | Self-Insurance |
|--|----------------|
| <u>Operating Revenues:</u> | |
| Charges for Services | \$1,306,124 |
| <u>Operating Expenses:</u> | |
| Purchased Services | 119,957 |
| Claims | 937,561 |
| <i>Total Operating Expenses</i> | 1,057,518 |
| <i>Change in Net Assets</i> | 248,606 |
| <i>Net Assets at Beginning of Year</i> | 80,262 |
| <i>Net Assets at End of Year</i> | \$328,868 |

See accompanying notes to the basic financial statements

Huntington Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2003

| | <u>Self-Insurance</u> |
|---|-----------------------|
| Increase in Cash and Cash Equivalents: | |
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from Quasi-External Transactions with Other Funds | \$1,306,124 |
| Cash Payments to Suppliers for Goods and Services | (119,957) |
| Cash Payments for Claims | (1,009,818) |
| Net Cash Provided by Operating Activities | 176,349 |
| <u>Cash Flows from Noncapital Financing Activities:</u> | |
| Repayment of Loans from Other Governments | 225,419 |
| Short-Term Loans to Other Governments | (225,336) |
| Net Cash Provided by Noncapital Financing Activities | 83 |
| Increase in Cash and Cash Equivalents | 176,432 |
| Cash and Cash Equivalents at Beginning of Year | 36,695 |
| Cash and Cash Equivalents at End of Year | \$213,127 |
| Reconciliation of Operating Income to Net Cash <u>Provided by Operating Activities:</u> | |
| Operating Income | \$248,606 |
| Adjustments to Reconcile Operating Loss to <u>Net Cash Provided by Operating Activities:</u> | |
| Decrease in Claims Payable | (72,257) |
| Net Cash Provided by Operating Activities | \$176,349 |

See accompanying notes to the basic financial statements

Huntington Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

| | Private Purpose Trust | Agency |
|--|--------------------------|----------|
| <u>Assets:</u> | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,500 | \$31,345 |
| <u>Liabilities:</u> | | |
| Undistributed Monies | 0 | \$31,345 |
| <u>Net Assets:</u> | | |
| Held in Trust for Scholarships | \$2,500 | |

See accompanying notes to the basic financial statements

Huntington Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003

| | Private Purpose Trust |
|-------------------------------------|--------------------------|
| | Scholarship |
| <i>Additions:</i> | |
| Contributions and Donations | \$2,500 |
| <u><i>Deductions:</i></u> | 0 |
| <i>Change in Net Assets</i> | 2,500 |
| <i>Net Assets Beginning of Year</i> | 0 |
| <i>Net Assets End of Year</i> | \$2,500 |

See accompanying notes to the basic financial statements

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Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 55 non-certificated employees, 94 certificated full-time teaching personnel, and 5 administrative employees who provide services to 1,373 students and other community members. The School District currently operates three instructional buildings, a bus garage, and an athletic complex.

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 School District participates in eight organizations, five of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a claims servicing pool. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Joint Vocational School, the Great Seal Education Network of Tomorrow, the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Ross County School Employees Insurance Consortium. These organizations are presented in Notes 17 and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Huntington Local School District have been prepared in conformity with generally accepted account principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-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 governmental activities and proprietary fund 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

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented on the face of the proprietary fund statement. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. All funds of the School District fall within three categories, governmental, proprietary, and fiduciary.

Governmental Funds:

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

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.

Food Service Fund – To account for the receipts and expenditures related to food service operations.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – The internal service fund is used to account for the medical, surgical, and dental benefits provided to employees.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two fiduciary funds: a private purpose trust used to account for college scholarship donations and an agency fund, used to account for student activity programs.

C. Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange 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 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available for advance, tuition and fees, grants, and accrued interest.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the 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, 2003, is presented as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2003, investments were limited to repurchase agreements and certificates of deposit, which are reported at cost.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2003 amounted to \$53,540 which includes \$7,821 assigned from other School District funds.

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 presented on the financial statements as cash equivalents.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent cash equivalents legally required to be set-aside by the School District for the purchase of textbooks and instructional materials.

G. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used.

Inventory consists of expendable supplies held for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets

All capital assets of the School District are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital 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 one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

M. Fund Balance Reserves

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for required budget reserves, food service operations, and federal and state grants restricted to expenditures for specified purposes.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported in the final column of the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year, including all supplemental appropriations.

Q. 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.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003 the School District has implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*," GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*," GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*," GASB Statement No. 41, "*Budgetary Comparison Schedules - Perspective Differences*," and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*".

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The government-wide financial statements combine the governmental activities into one column.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosure.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds.

The implementation of this statement had no effect on the presentation of budgetary statements by the School District for fiscal year 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

The implementation of these Statements, the correction of prior year errors, and the reclassification of the Food Service fund from an enterprise fund to a special revenue fund had the following effect on the fund balances of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

| | General | Food Service | Nonmajor | Total |
|--|--------------------|------------------|------------------|------------------|
| Fund Balances, June 30, 2002 | \$3,106,395 | \$198,460 | \$755,327 | \$4,060,182 |
| Interpretation No. 6 | | | | |
| Adjustment | 11,701 | 0 | 0 | 11,701 |
| Fund Reclassification | 0 | (17,696) | 0 | (17,696) |
| Correction of an Error | (34) | 0 | 34 | 0 |
| Adjusted Fund Balances, June 30, 2002 | <u>\$3,118,062</u> | <u>\$180,764</u> | <u>\$755,361</u> | <u>4,054,187</u> |

GASB 34 Adjustments:

Deferred Assets:

| | |
|-------------------------------|--------|
| Intergovernmental Receivables | 9,800 |
| Delinquent Property Taxes | 21,218 |

Capital Assets 16,293,357

Accrued Interest Payable (8,691)

Intergovernmental Payables (74,091)

Long Term Liabilities:

General Obligation Bonds Payable (1,140,000)

Compensated Absences Payable (443,659)

Capital Leases Payable (85,848)

Internal Service Fund Balance 80,262

Adjusted Governmental Activities Net Assets, June 30, 2002 \$18,706,535

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

| | Food Service Enterprise Fund |
|----------------------------|---------------------------------|
| Fund Equity, June 30, 2002 | \$198,460 |
| Reclassification of Fund | (198,460) |
| Restated June 30, 2002 | \$0 |

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2003, the Disadvantaged Pupil Impact Aid, Chapter II, Drug Free Grant, and Title VI-R Special Revenue Funds had deficit fund balances of \$10,181, \$1,924, \$799, and \$449, 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 Summer School Subsidy and Disadvantaged Pupil Impact Aid special revenue funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2003, in the amount of \$138 and \$8,081 respectively.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non- GAAP- Budget Basis) – for the General Fund and the Food Service Special Revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (Non- GAAP budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (Non- GAAP budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (Non- GAAP budget basis) rather than as a reservation of fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General and Food Service funds.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balances

| | General | Food Service |
|----------------------|-----------|--------------|
| GAAP Basis | \$709,897 | (\$33,077) |
| Adjustments: | | |
| Revenue Accruals | (35,044) | (451) |
| Expenditure Accruals | 30,023 | 4,175 |
| Transfers | (3,919) | 0 |
| Advances | (1,538) | 0 |
| Encumbrances | (66,062) | (600) |
| Budget Basis | \$633,357 | (\$29,953) |

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of 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;

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, 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.

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 \$3,140,798 and the bank balance was \$3,190,347. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,090,347 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

| | Category 3 | Carrying and Fair Value |
|-----------------------|-------------|----------------------------|
| Repurchase Agreements | \$2,312,000 | \$2,312,000 |

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:

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

| | Cash and Cash Equivalents/Deposits | Investments |
|-----------------------|---------------------------------------|-------------|
| GASB Statement No. 9 | \$5,452,798 | \$0 |
| Investment: | | |
| Repurchase Agreements | (2,312,000) | 2,312,000 |
| GASB Statement No. 3 | \$3,140,798 | \$2,312,000 |

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2003 was \$75,876 in the General Fund and \$11,151 in Other Governmental Funds. The amount available as an advance at June 30, 2002, was \$65,816 in the General Fund and \$9,678 in Other Governmental Funds.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue is deferred.

The assessed values upon which fiscal year 2003 taxes were collected are:

| | 2002 Second- Half Collections | | 2003 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$38,902,370 | 91.81% | \$39,912,820 | 91.05% |
| Public Utility | 2,979,880 | 7.03% | 3,404,820 | 7.77% |
| Tangible Personal Property | 492,200 | 1.16% | 516,700 | 1.18% |
| Total Assessed Value | \$42,374,450 | 100.00% | \$43,834,340 | 100.00% |
| | | | | |
| Tax rate per \$1,000 of assessed valuation | \$31.50 | | \$31.50 | |

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, accounts (tuition and student fees), intergovernmental grants, accrued interest, and interfund. The Self-Insurance Internal Service Fund intergovernmental receivable consists of claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the 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 |
|--|------------------|
| Governmental Activities | |
| Retirement System Overpayments | \$18,867 |
| Title I | 81,560 |
| Title V | 2,459 |
| Drug Free Schools | 3,213 |
| Internal Service | 225,336 |
| Total Intergovernmental Receivables | \$331,435 |

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

| | <u>Balance at 6/30/02</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at 6/30/03</u> |
|---|-------------------------------|--------------------|-------------------|-------------------------------|
| <u>Governmental Activities</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$369,307 | \$0 | \$0 | \$369,307 |
| Construction in Progress | 439,672 | 0 | 439,672 | 0 |
| Total Capital Assets Not Being Depreciated | <u>808,979</u> | <u>0</u> | <u>439,672</u> | <u>369,307</u> |
| Capital Assets Being Depreciated: | | | | |
| Land Improvements | 1,121,945 | 1,070 | 0 | 1,123,015 |
| Buildings and Improvements | 20,047,011 | 613,095 | 0 | 20,660,106 |
| Furniture, Fixtures, Equipment and Textbooks | 2,918,211 | 72,099 | 9,955 | 2,980,355 |
| Vehicles | 990,918 | 62,520 | 72,018 | 981,420 |
| Totals at Historical Cost | <u>25,078,085</u> | <u>748,784</u> | <u>81,973</u> | <u>25,744,896</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (692,280) | (42,061) | 0 | (734,341) |
| Building and Improvements | (6,660,704) | (530,339) | 0 | (7,191,043) |
| Furniture, Fixtures, Equipment and Textbooks | (1,574,486) | (326,200) | (6,943) | (1,893,743) |
| Vehicles | (666,237) | (53,086) | (72,018) | (647,305) |
| Total Accumulated Depreciation | <u>(9,593,707)</u> | <u>(951,686) *</u> | <u>(78,961)</u> | <u>(10,466,432)</u> |
| Total Capital Assets Being Depreciated, Net | <u>15,484,378</u> | <u>(202,902)</u> | <u>3,012</u> | <u>15,278,464</u> |
| Governmental Activities Capital Assets, Net | <u>\$16,293,357</u> | <u>(\$202,902)</u> | <u>\$442,684</u> | <u>\$15,647,771</u> |

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

| | |
|---|-------------------------|
| Instruction: | |
| Regular | \$559,410 |
| Special | 24,182 |
| Vocational | 4,030 |
| Support Services: | |
| Pupils | 17,864 |
| Instructional Staff | 103,377 |
| Administration | 53,646 |
| Fiscal | 4,325 |
| Operation and Maintenance of Plant | 54,768 |
| Pupil Transportation | 67,516 |
| Operation of Non-Instructional Services | 40,344 |
| Extracurricular Activities | 22,224 |
| Total Depreciation Expense | <u><u>\$951,686</u></u> |

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, 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 (\$1,000 deductible) | \$25,306,822 |
| Inland Marine Coverage (\$250 deductible) | 100,000 |
| Automobile Liability (\$250 deductible) | 1,000,000 |
| Uninsured Motorists (\$250 deductible) | 1,000,000 |

During fiscal year 2003, the School District participated in the Ohio School Plan (OSP), an 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 18)

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT (Continued)

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

| | |
|--|-------------|
| 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 |
| Educational Legal Liability Coverage (\$2,500 deductible): | |
| Errors and Omissions Injury Limit | 1,000,000 |
| Errors and Omissions Injury Aggregate Limit | 2,000,000 |
| Employment Practices Injury Limit | 1,000,000 |
| Employment Practices Injury Aggregate Limit | 2,000,000 |
| Defense Costs Cap | 1,000,000 |
| Defense Costs Aggregate Cap | 1,000,000 |

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

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$109,595 reported in the internal service fund at June 30, 2003, 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

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT (Continued)

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:

| | Balance at Beginning of Year | Current Year Claims | Claims Payments | Balance at End of Year |
|------|------------------------------------|---------------------------|--------------------|---------------------------|
| 2002 | \$178,785 | \$1,018,257 | \$1,015,190 | \$181,852 |
| 2003 | 181,852 | 937,561 | 1,009,818 | 109,595 |

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion 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, 2003, 2002, and 2001 were \$ 105,859, \$66,810, and \$38,439, respectively; 51.03 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$51,835 represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2003, 2002, and 2001 were \$601,733, \$407,171, and \$417,002, respectively; 83.37 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$1,327 made by the School District and \$1,176 made by the plan members.

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, 2003, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$46,287 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$102,675.

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, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative 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.

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated without limitation for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for classified employees and 51 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 Ohio retirement credit are eligible for a one-time \$10,000 severance bonus. For the bonus to be collected, an individual's retirement must be completed no later than August 1 following the school year in which the individual first becomes eligible to retire. The individual must submit a written notification to the Superintendent by March 1 in order to receive the incentive. During fiscal year 2003, one employee took advantage of this incentive and was 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.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2003 and in prior years, the School District has entered into capitalized leases for copier equipment. All leases meet 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 basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease were initially capitalized in the statement of net assets for governmental activities in the amount of \$129,499 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2003 totaled \$23,929 and were paid from the General fund.

The assets acquired through capital leases as of June 30, 2003, are as follows:

| | Asset Value | Accumulated Depreciation | Net Book Value |
|------------------|----------------|-----------------------------|-------------------|
| Asset: | | | |
| Copier Equipment | \$129,499 | \$72,838 | \$56,661 |

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, 2003.

| Fiscal Year Ending June 30, | Total Payments |
|---|----------------|
| 2004 | \$27,895 |
| 2005 | 22,141 |
| 2006 | 17,652 |
| 2007 | 7,016 |
| 2008 | 1,009 |
| Total | 75,713 |
| Less: Amount Representing Interest | (8,760) |
| Present Value of Net Minimum Lease Payments | \$66,953 |

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2003 were as follows:

| | Amount Outstanding 6/30/02 | Additions | Deductions | Amount Outstanding 6/30/03 | Amounts Due in One Year |
|--|----------------------------------|-----------|------------|----------------------------------|-------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| General Obligation Bonds: | | | | | |
| 1989 School Improvement Bonds - 6.40% | \$145,000 | \$0 | \$20,000 | \$125,000 | \$20,000 |
| 1998 School Improvement Bonds - 5.15% | 995,000 | 0 | 35,000 | 960,000 | 35,000 |
| Capital Leases | 85,848 | 5,034 | 23,929 | 66,953 | 23,487 |
| Compensated Absences | 443,659 | 95,429 | 14,026 | 525,062 | 58,970 |
| Total Governmental Activities Long-Term Obligations | \$1,669,507 | \$100,463 | \$92,955 | \$1,677,015 | \$137,457 |

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

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.

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 will be paid from the General fund and Miscellaneous State Grants, Title VI-B, and Chapter I Special Revenue funds.

The School District's overall legal debt margin was \$3,022,496 with an unvoted debt margin of \$43,834 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

| Fiscal year Ending June 30, | Principal | Interest | Total |
|--------------------------------|--------------------|------------------|--------------------|
| 2004 | \$55,000 | \$55,872 | \$110,872 |
| 2005 | 60,000 | 52,376 | 112,376 |
| 2006 | 65,000 | 48,573 | 113,573 |
| 2007 | 65,000 | 44,639 | 109,639 |
| 2008 | 70,000 | 40,571 | 110,571 |
| 2009-2013 | 240,000 | 164,588 | 404,588 |
| 2014-2018 | 305,000 | 98,384 | 403,384 |
| 2019-2021 | 225,000 | 17,896 | 242,896 |
| Total | <u>\$1,085,000</u> | <u>\$522,899</u> | <u>\$1,607,899</u> |

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2003, interfund receivables and payables that resulted from various interfund transactions were as follows:

| | | Receivable |
|----------------|----------------|-------------------|
| | | General |
| Payable | All Other | |
| | Nonmajor Funds | <u>\$1,538</u> |

General fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the general fund for the initial advance.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 16 - INTERFUND ACTIVITY (Continued)

Transfers made during the year ended June 30, 2003 were as follows:

| | | Transfers From | | |
|---------------------|----------------|----------------|-----------------------------|----------|
| | | General | All Other Nonmajor Funds | Total |
| Transfers To | General | \$0 | \$20,769 | \$20,769 |
| | All Other | | | |
| | Nonmajor Funds | 12,354 | 0 | 12,354 |
| Totals | | \$12,354 | \$20,769 | \$33,123 |

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. For fiscal year 2003, a transfer was made to the General Fund from the Disadvantage Pupil Impact Aid fund due to a mis-posting of revenue from the prior year.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, 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 \$3,240 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. The School District paid \$300 to the Council for services provided during the year.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

Pilasco-Ross Special Education Regional Resource Center - The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a Board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross County Career and Technology Center, Shawnee State University, and Ross-Pike, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

NOTE 18 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS

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

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, Klias and Company. 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.

Huntington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 19 - 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, 2003, 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.

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> |
|---|------------------|--------------------------------|---------------------------------|
| Set-aside Reserve Balance as of June 30, 2002 | \$0 | \$0 | \$35,901 |
| Current Year Set-aside Requirement | 187,398 | 187,398 | 0 |
| Current Year Offsets | 0 | (20,577) | 0 |
| Qualifying Disbursements | <u>(105,217)</u> | <u>(166,821)</u> | <u>(35,901)</u> |
| Set-aside Reserve Balance as of June 30, 2003 | <u>\$82,181</u> | <u>\$0</u> | <u>\$0</u> |

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance in capital acquisitions to zero.

NOTE 20 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

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

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.

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, 2003.

B. Litigation

The School District is not party to legal proceedings.

HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

| Federal Grantor/Pass-Through Grantor/Program Title | Pass-Through Entity Number | Federal C.F.D.A. Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|--|-------------------------------|-------------------------------|----------------------|-------------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed through Ohio Department of Education:</i> | | | | | | |
| <i>Child Nutrition Cluster</i> | | | | | | |
| Food Donation (See Note "B") | N/A | 10.550 | \$0 | \$39,354 | \$0 | \$39,354 |
| National School Breakfast Program | 05-PU-2002 & 05-PU-2003 | 10.553 | 25,340 | 0 | 25,340 | 0 |
| National School Lunch Program | LL-P4 2001 & LL-P4 2002 | 10.555 | 141,886 | 0 | 141,886 | 0 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE- CHILD NUTRITION CLUSTER | | | 167,226 | 39,354 | 167,226 | 39,354 |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Pass through the Ohio Department of Education:</i> | | | | | | |
| Title I Grants to Local Education Agencies | C1-S1 2003 C1-S1-2002 C1-S1-2002 | 84.010 | 341,209 (84,297) 52,463 | 0 0 0 | 325,212 - 138,471 | 0 0 0 |
| Total Title 1 Grants to Local Education Agencies | | | 309,375 | 0 | 463,683 | 0 |
| Special Education Grants to States | 6B-SF 03 6B-SF 02 | 84.027 | 137,677 0 | 0 0 | 127,495 18,723 | 0 0 |
| Total Special Education Grants to States | | | 137,677 | 0 | 146,218 | 0 |
| Safe and Drug Free Schools and Communities | DR-S1 2003 DR-S1 2002 DR-S1 2001 | 84.186 | 6,457 0 0 | 0 0 0 | 5,917 1,039 496 | 0 0 0 |
| Total Safe and Drug Free Schools and Communities | | | 6,457 | 0 | 7,452 | 0 |
| Goals 2000_ State and Local Education Systematic Improvement Grants | G2-S9 2001 G2-S9-2002 | 84.276 | 0 0 | 0 0 | 1,108 4,092 | 0 0 |
| Total Goals 2000_ State and Local Education Systematic Improvement Grants | | | 0 | 0 | 5,200 | 0 |
| Eisenhower Professional Development State Grants | MS-S1-2002 MS-S1-2001 | 84.281 | 1,108 0 | 0 0 | 4,452 182 | 0 0 |
| Total Eisenhower Professional Development State Grants | | | 1,108 | 0 | 4,634 | 0 |
| Innovative Educational Program Strategies | C2SI-2003 | 84.298 | 6,546 | 0 | 5,646 | 0 |
| Education Technology State Grants | TJS1-2003 | 84.318 | 9,268 | 0 | 10,648 | 0 |
| Class Size Reduction | CR-S1 2001 | 84.340 | (15,643) | 0 | 7,575 | 0 |
| School Renovation Grants | ATS2-2002 ATS3-2002 | 84.352 | 7,865 555 | 0 0 | 7,984 555 | 0 0 |
| Total School Renovation Grants | | | 8,420 | 0 | 8,539 | 0 |
| Rural Education Grants | RU-S1-2003 | 84.358 | 27,353 | 0 | 27,177 | 0 |
| Improving Teacher Quality State Grants | TR-S1-2003 | 84.367 | 88,272 | 0 | 76,642 | 0 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 578,833 | 0 | 763,414 | 0 |
| Total Federal Awards Financial Assistance | | | \$746,059 | \$39,354 | \$930,640 | \$39,354 |

The accompanying notes to this schedule are an integral part of this schedule

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

FISCAL YEAR ENDED JUNE 30, 2003

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

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—CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased foods and food received by the U.S. Department of Agriculture. The nonmonetary assistance is reported in the schedule at the fair market value of the commodities received.

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

NOTE C- TRANSFERS BETWEEN GRANT YEARS

During fiscal year 2003, the grant periods changed to agree with the fiscal year of school districts. The grant periods were changed from a 27 month period ending in September 30 to a 12 month period ending in June 30. Transfers were made between the 2002 and 2003 grant years for CFDA 84.010 in the amount of \$84,297.

NOTE D- REFUND OF PRIOR YEAR UNUSED FUNDING

During the Fiscal year 2003, the District refunded the 2001 unspent funds for CFDA # 84.340 in the amount of \$15,643.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the Huntington Local School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated March 5, 2004, where in we noted the District implemented a new financial reporting model, as required by the provisions of *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated March 5, 2004.

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 a certain other matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the District in separate letter dated March 5, 2004.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

This report is intended for the information and use of the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 5, 2004



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Huntington Local School District, Ross County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are 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 each of its major federal programs 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, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 5, 2004

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Special Education Grants to States: CFDA # 84.027; Title I Grants to Local Education Agencies: CFDA # 84.367 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | Yes |

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**HUNTINGTON LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

| Finding Number | Finding Summary | Fully Corrected ? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|---------------------|--|
| 2002-10771-001 | Ohio Rev. Code Section 5705.41(B), Expenditures in excess of Appropriations | Partially Corrected | Repeated in Management Letter |
| 2002-10771-002 | Ohio Rev. Code Section 5705.10, Negative Fund Balances | Partially Corrected | Repeated in Management Letter |



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

HUNTINGTON LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 11, 2004**