

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2008***

MICHAEL WEIS, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Huron City School District
712 Cleveland Road East
Huron, Ohio 44839-1871

We have reviewed the *Independent Auditor's Report* of the Huron City School District, Erie County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 25, 2008

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Huron City School District
712 Cleveland Road East
Huron, Ohio 44839-1871

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huron City School District, Erie County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Huron City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Huron City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by 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 the 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 Huron City School District, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008, on our consideration of the Huron City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Huron City School District
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huron City School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of receipts and expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 15, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the Huron City School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$1,944,596.
- General revenues accounted for \$16,220,268 in revenue or 88.55% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,098,369 or 11.45% of total revenues of \$18,318,637.
- The District had \$16,374,041 in expenses related to governmental activities; only \$2,098,369 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,220,268 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$15,762,276 in revenues and other financing sources and \$13,849,844 in expenditures and other financing uses. During fiscal 2008, the general fund's fund balance increased \$1,912,432 from a balance of \$2,556,533 to a balance of \$4,468,965.
- The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$1,625,850 in revenues and other financing sources and \$1,439,042 in expenditures. During fiscal 2008, the permanent improvement fund's fund balance increased \$186,808 from \$450,590 to \$637,398.

Using the Basic Financial Statements

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-51 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007:

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 18,071,230	\$ 16,893,100
Capital assets, net	<u>6,219,821</u>	<u>5,776,597</u>
Total assets	<u>24,291,051</u>	<u>22,669,697</u>
<u>Liabilities</u>		
Current liabilities	11,335,050	12,176,040
Long-term liabilities	<u>8,285,375</u>	<u>7,767,627</u>
Total liabilities	<u>19,620,425</u>	<u>19,943,667</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,912,783	3,248,739
Restricted	1,094,462	739,794
Unrestricted (deficit)	<u>663,381</u>	<u>(1,262,503)</u>
Total net assets	<u>\$ 4,670,626</u>	<u>\$ 2,726,030</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$4,670,626.

At year-end, capital assets represented 25.61% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$2,912,783. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

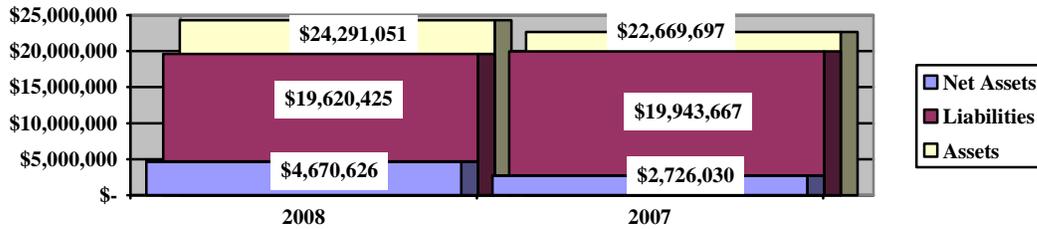
A portion of the District's net assets, \$1,094,462, represents resources that are subject to external restriction on how they may be used. The District had a remaining balance of unrestricted net assets of \$663,381.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The table below provides a summary of the District's net assets for 2008 and 2007:

Governmental Activities



The table below shows the change in net assets for fiscal years 2008 and 2007:

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 862,043	\$ 866,262
Operating grants and contributions	1,082,089	1,142,116
Capital grants and contributions	154,237	177,896
General revenues:		
Property taxes	11,135,972	12,046,299
Grants and entitlements	4,816,276	4,182,088
Investment earnings	237,166	207,539
Other	30,854	24,297
Total revenues	18,318,637	18,646,497

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,930,148	\$ 6,469,800
Special	1,877,986	1,691,614
Other	67,622	69,141
Support services:		
Pupil	489,847	448,847
Instructional staff	695,279	624,599
Board of education	25,818	29,757
Administration	1,477,973	1,376,969
Fiscal	546,239	503,572
Operations and maintenance	2,480,316	1,525,650
Pupil transportation	877,788	781,132
Central	1,998	188
Food service operations	677,901	599,489
Operations of non-instructional services	213,509	266,477
Extracurricular activities	563,438	472,400
Intergovernmental	142,385	256,927
Interest and fiscal charges	<u>305,794</u>	<u>370,871</u>
Total expenses	<u>16,374,041</u>	<u>15,487,433</u>
Change in net assets	1,944,596	3,159,064
Net assets (deficit) at beginning of year	<u>2,726,030</u>	<u>(433,034)</u>
Net assets at end of year	<u>\$ 4,670,626</u>	<u>\$ 2,726,030</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,944,596. Total governmental expenses of \$16,374,041 were offset by program revenues of \$2,098,369 and general revenues of \$16,220,268. Program revenues supported 12.82% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 87.08% of total governmental revenue. Real estate property is reappraised every six years.

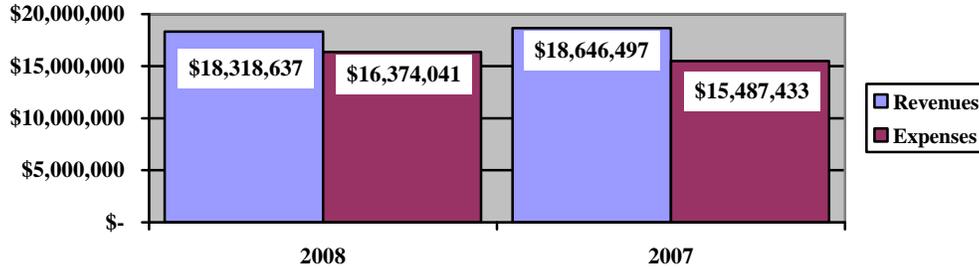
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,875,756 or 48.10% of total governmental expenses for fiscal 2008.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007:

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

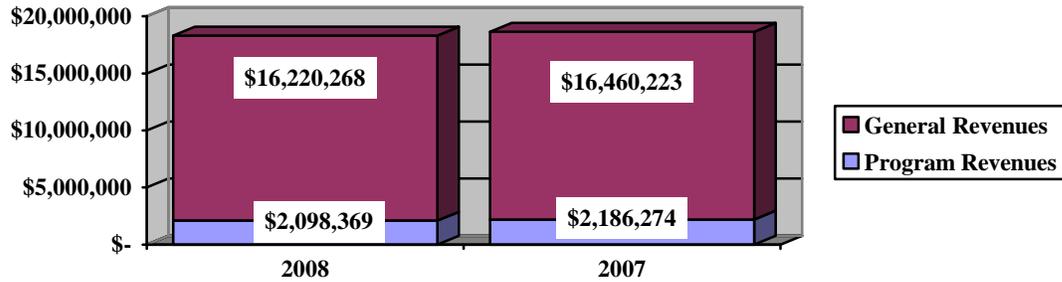
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 5,930,148	\$ 5,749,724	\$ 6,469,800	\$ 6,202,611
Special	1,877,986	1,446,736	1,691,614	1,234,198
Other	67,622	808	69,141	5,358
Support services:				
Pupil	489,847	389,181	448,847	340,411
Instructional staff	695,279	659,659	624,599	595,455
Board of education	25,818	25,818	29,757	29,757
Administration	1,477,973	1,440,844	1,376,969	1,336,364
Fiscal	546,239	545,294	503,572	502,394
Operations and maintenance	2,480,316	2,233,074	1,525,650	1,290,785
Pupil transportation	877,788	844,145	781,132	744,608
Central	1,998	1,998	188	188
Food service operations	677,901	19,657	599,489	(8,813)
Operations of non-instructional services	213,509	54,296	266,477	92,074
Extracurricular activities	563,438	416,259	472,400	307,971
Intergovernmental pass through	142,385	142,385	256,927	256,927
Interest and fiscal charges	305,794	305,794	370,871	370,871
Total expenses	\$ 16,374,041	\$ 14,275,672	\$ 15,487,433	\$ 13,301,159

The dependence upon tax and other general revenues for governmental activities is apparent, 91.39% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.18%. The District's taxpayers, as a whole, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on page 15) reported a combined fund balance of \$5,551,055 which is higher than last year's balance of \$3,333,760. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	<u>Increase</u>
General	\$ 4,468,965	\$ 2,556,533	\$ 1,912,432
Permanent Improvement	637,398	450,590	186,808
Other Governmental	<u>444,692</u>	<u>326,637</u>	<u>118,055</u>
Total	<u>\$ 5,551,055</u>	<u>\$ 3,333,760</u>	<u>\$ 2,217,295</u>

General Fund

The District's general fund's fund balance increased by \$1,912,432. The table that follows assists in illustrating the financial activities and fund balance of the general fund. The District began full collection of an 8.9 mill levy along with significant staff reductions. In addition, interest revenue increased due to an increase in the amount of money invested by the District along with increasing interest rates. Plus the District modified medical benefits resulting in significant cost savings. And, the decrease in tax revenue due to the phase out of tangible personal property tax was less severe than expected. The net impact of these events was for the District to run a nearly \$2,000,000 surplus. The result was a substantial improvement of the General Fund's "equity". The District received hold-harmless payments from the State during 2008, which resulted in an increase in the intergovernmental revenue. The Permanent Improvement Fund was, likewise, impacted in a similar manner, regarding increased revenue, as the General Fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 10,402,736	\$ 10,723,974	(3.00) %
Tuition	57,697	64,175	(10.09) %
Earnings on investments	228,258	200,247	13.99 %
Intergovernmental	4,735,416	4,198,746	12.78 %
Other revenues	<u>219,169</u>	<u>217,583</u>	0.73 %
Total	<u>\$ 15,643,276</u>	<u>\$ 15,404,725</u>	1.55 %
<u>Expenditures</u>			
Instruction	\$ 8,108,536	\$ 7,237,592	12.03 %
Support services	5,224,607	4,826,708	8.24 %
Operation of non-instructional services	69,115	69,917	(1.15) %
Extracurricular activities	366,582	300,175	22.12 %
Facilities acquisition and construction	-	53,706	(100.00) %
Debt service	<u>79,698</u>	<u>268,546</u>	(70.32) %
Total	<u>\$ 13,848,538</u>	<u>\$ 12,756,644</u>	8.56 %

Instruction and support services expenditures increased due to the District exiting Fiscal Emergency and reestablishing positions that had been cut due to the fiscal emergency issues. Additionally, support services expenses increased due to inflation in utility costs and the reestablishment of certain activities that had been eliminated when the District was in Fiscal Emergency. Debt service payments in the general fund were for a State Solvency Assistance Loan. The lower amount in FY 2008 was the result of the District having paid down on the loan in 2007 requiring less debt service.

Permanent Improvement Fund

The District's permanent improvement fund's fund balance increased by \$186,808. The permanent improvement fund had \$1,625,850 in revenues and other financing sources and \$1,439,042 in expenditures. The primary sources of revenue in the permanent improvement fund in 2008 are a permanent improvement tax levy and proceeds from a lease purchase agreement that will be used to renovate science labs and purchase equipment. Again, the Fund benefited from full collection of an 8.9 mill levy and a better than expected Personal Property Tax collection.

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources were \$15,753,391, which was higher than the original budgeted revenues estimate of \$14,996,521. Actual revenues and other financing sources for fiscal 2008 were \$16,024,663. This represents a \$271,272 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,829,926 were the same as in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$14,236,808, which was \$1,593,118 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$6,219,821 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal 2008 balances compared to 2007:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 429,494	\$ 429,494
Land improvements	395,929	408,687
Building and improvements	4,277,900	3,642,791
Furniture and equipment	915,363	1,028,789
Vehicles	<u>201,135</u>	<u>266,836</u>
Total	<u>\$ 6,219,821</u>	<u>\$ 5,776,597</u>

Total additions to capital assets for 2008 were \$910,561. The overall increase in capital assets of \$443,224 is primarily due to the additions exceeding the recording of \$467,337 in depreciation expense for fiscal 2008.

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

Debt Administration

At June 30, 2008, the District had \$6,968,539 in general obligation bonds, capital leases and lease-purchase agreements outstanding. Of this total, \$491,721 is due within one year and \$6,476,818 is due within greater than one year. The following table summarizes the bonds, capital leases and lease purchase agreements outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2008</u>	<u>2007</u>
General obligation bonds - Series 1999	\$ 260,000	\$ 3,751,000
General obligation bonds - Series 2007	3,401,501	-
Capital lease obligation	-	45,155
Lease-purchase agreement	<u>3,307,038</u>	<u>2,482,703</u>
Total	<u>\$ 6,968,539</u>	<u>\$ 6,278,858</u>

At June 30, 2008, the District's overall legal debt margin was \$26,823,089, and the unvoted debt margin was \$335,563. See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Current Financial Related Activities

During fiscal year 2008, the District saw the full collection of its levies. The District continues to monitor its programs and enrollment adjusting it as necessary. The District forecasts call for relatively stable enrollment with some modest declines through the next ten years. The District revises its five year forecast to reflect new enrollment, staffing and revenue models. Currently, the District does not see the need for new tax monies until at least 2012.

During fiscal year 2008, the District negotiated a new three year contract with its non-teaching employees. This agreement calls for annual increases of 2.9, 2.8 and 2.8 percent. In addition, the parties agreed to change medical insurance plans which will result in a significant cost savings for the District.

In November of 2007, the District agreed to enter into a House Bill 264 program that will replace doors, windows, lights, boilers and heating controls in various buildings throughout the District. The cost of this program is \$1.4 million and will be repaid over 15 years from energy cost savings. Construction will not start until the next fiscal year.

In May of 2007 the Board of Education made a decision to realign its buildings and reopen the Shawnee facility as a pre-kindergarten to second grade school. McCormick Middle School will become a grade seven and eight Junior High and Woodlands would house grades three to six. The annex will be leased to the local Montessori School; it is expected to cost the District \$200,000 in start up costs for this change and ongoing expenses of \$70,000 above previously expected operating costs. These changes will take place in the 2008-2009 school year (fiscal year 2009). These changes are reflected in the District's fiscal year 2009 budgets and five year forecast.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Michael Weis, Treasurer, Huron City School District, 712 Cleveland Road E, Huron, Ohio 44839-1871. This report and other financial data is also posted on the District's Web Site (www.Huron-City.k12.oh.us) under the Treasurer's Section.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,480,991
Receivables:	
Taxes	11,339,246
Accounts	12,884
Intergovernmental	57,612
Accrued interest	10,974
Loans.	763
Prepayments	38,502
Materials and supplies inventory	5,331
Unamortized bond issue costs	124,927
Capital assets:	
Land	429,494
Depreciable capital assets, net	5,790,327
Total capital assets, net.	6,219,821
 Total assets	 24,291,051
 Liabilities:	
Accounts payable.	20,954
Accrued wages and benefits	1,164,459
Pension obligation payable.	321,414
Intergovernmental payable	37,162
Unearned revenue	9,764,356
Accrued interest payable	26,705
Long-term liabilities:	
Due within one year.	755,578
Due in more than one year	7,529,797
 Total liabilities	 19,620,425
 Net Assets:	
Invested in capital assets, net of related debt.	2,912,783
Restricted for:	
Capital projects	657,934
Debt service.	268,192
State funded programs	30,290
Federally funded programs	79,065
Student activities	43,873
Other purposes	15,108
Unrestricted	663,381
 Total net assets.	 \$ 4,670,626

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 5,930,148	\$ 128,150	\$ 41,040	\$ 11,234	\$ (5,749,724)
Special	1,877,986	2,827	428,423	-	(1,446,736)
Other	67,622	3,825	62,989	-	(808)
Support services:					
Pupil	489,847	1,138	99,528	-	(389,181)
Instructional staff	695,279	-	35,620	-	(659,659)
Board of education	25,818	-	-	-	(25,818)
Administration	1,477,973	-	37,129	-	(1,440,844)
Fiscal	546,239	-	-	945	(545,294)
Operations and maintenance	2,480,316	120,624	946	125,672	(2,233,074)
Pupil transportation	877,788	-	17,257	16,386	(844,145)
Central	1,998	-	-	-	(1,998)
Operation of non-instructional:					
Food service operations	677,901	458,300	199,944	-	(19,657)
Other non-instructional services	213,509	-	159,213	-	(54,296)
Extracurricular activities	563,438	147,179	-	-	(416,259)
Intergovernmental	142,385	-	-	-	(142,385)
Interest and fiscal charges	305,794	-	-	-	(305,794)
Total governmental activities	\$ 16,374,041	\$ 862,043	\$ 1,082,089	\$ 154,237	(14,275,672)
General Revenues:					
Property taxes levied for:					
General purposes					10,331,581
Debt service					403,500
Capital projects					400,891
Grants and entitlements not restricted					
to specific programs					4,816,276
Investment earnings					237,166
Miscellaneous					30,854
Total general revenues					16,220,268
Change in net assets					1,944,596
Net assets at beginning of year					2,726,030
Net assets at end of year					\$ 4,670,626

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,388,825	\$ 605,204	\$ 471,854	\$ 6,465,883
Receivables:				
Taxes	10,574,478	404,551	360,217	11,339,246
Accounts	12,834	50	-	12,884
Intergovernmental	3,068	-	54,544	57,612
Accrued interest	10,974	-	-	10,974
Interfund loans	18,754	-	-	18,754
Loans	763	-	-	763
Prepayments	38,502	-	-	38,502
Materials and supplies inventory	-	-	5,331	5,331
Restricted assets:				
Equity in pooled cash and cash equivalents	15,108	-	-	15,108
Total assets	<u>\$ 16,063,306</u>	<u>\$ 1,009,805</u>	<u>\$ 891,946</u>	<u>\$ 17,965,057</u>
Liabilities:				
Accounts payable	\$ 15,108	\$ 3,428	\$ 2,418	\$ 20,954
Accrued wages and benefits	1,157,371	-	7,088	1,164,459
Compensated absences payable	480,967	-	11,782	492,749
Pension obligation payable	295,794	-	25,620	321,414
Intergovernmental payable	35,461	-	1,701	37,162
Interfund loan payable	-	-	18,754	18,754
Deferred revenue	508,211	20,525	65,418	594,154
Unearned revenue	9,101,429	348,454	314,473	9,764,356
Total liabilities	<u>11,594,341</u>	<u>372,407</u>	<u>447,254</u>	<u>12,414,002</u>
Fund Balances:				
Reserved for encumbrances	159,764	167,967	29,065	356,796
Reserved for materials and supplies inventory	-	-	5,331	5,331
Reserved for prepayments	38,502	-	-	38,502
Reserved for tax revenue available for appropriation	972,597	35,572	34,765	1,042,934
Reserved for debt service	-	-	249,153	249,153
Reserved for school bus purchases	15,108	-	-	15,108
Unreserved, undesignated, reported in:				
General fund	3,282,994	-	-	3,282,994
Special revenue funds	-	-	126,378	126,378
Capital projects funds	-	433,859	-	433,859
Total fund balances	<u>4,468,965</u>	<u>637,398</u>	<u>444,692</u>	<u>5,551,055</u>
Total liabilities and fund balances	<u>\$ 16,063,306</u>	<u>\$ 1,009,805</u>	<u>\$ 891,946</u>	<u>\$ 17,965,057</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$	5,551,055
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			6,219,821
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	531,956	
Intergovernmental		54,439	
Accrued interest		7,759	
Total			594,154
Unamortized deferred charges on refundings are not recognized in the funds.			161,918
Unamortized premiums on bond issuances are not recognized in the funds.			(286,848)
Unamortized bond issuance costs are not recognized in the funds.			124,927
Accrued interest payable is not due and payable within the current period and is therefore not reported in the funds.			(26,705)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(699,157)	
General obligation bonds		(3,661,501)	
Lease-purchase agreement		(3,307,038)	
Total			(7,667,696)
Net assets of governmental activities		\$	4,670,626

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 10,402,736	\$ 403,621	\$ 414,338	\$ 11,220,695
Tuition	57,697	-	4,963	62,660
Charges for services	-	-	458,300	458,300
Earnings on investments	228,258	-	3,422	231,680
Extracurricular	-	50	104,568	104,618
Classroom materials and fees	64,238	-	-	64,238
Other local revenues	154,931	127,845	62,172	344,948
Intergovernmental - State	4,735,416	88,334	320,100	5,143,850
Intergovernmental - Federal	-	-	712,446	712,446
Total revenue	<u>15,643,276</u>	<u>619,850</u>	<u>2,080,309</u>	<u>18,343,435</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,558,938	-	63,778	6,622,716
Special	1,547,298	-	317,972	1,865,270
Other	2,300	-	65,322	67,622
Support services:				
Pupil	390,163	-	101,432	491,595
Instructional staff	652,327	-	32,319	684,646
Board of education	25,818	-	-	25,818
Administration	1,330,856	-	39,131	1,369,987
Fiscal	531,662	7,536	-	539,198
Operations and maintenance	1,512,892	1,002,106	960	2,515,958
Pupil transportation	778,891	10,190	-	789,081
Central	1,998	-	-	1,998
Operation of non-instructional services:				
Food service operations	-	-	668,295	668,295
Other non-instructional services	69,115	-	149,557	218,672
Extracurricular activities	366,582	-	150,519	517,101
Intergovernmental pass through	-	-	142,385	142,385
Debt service:				
Principal retirement	72,825	272,995	125,000	470,820
Interest and fiscal charges	6,873	146,215	106,890	259,978
Bond issuance costs	-	-	127,019	127,019
Total expenditures	<u>13,848,538</u>	<u>1,439,042</u>	<u>2,090,579</u>	<u>17,378,159</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,794,738</u>	<u>(819,192)</u>	<u>(10,270)</u>	<u>965,276</u>
Other financing sources (uses):				
Lease-purchase transaction	119,000	1,006,000	-	1,125,000
Premium on sale of bonds	-	-	291,652	291,652
Sale of refunding bonds	-	-	3,379,997	3,379,997
Transfers in	-	-	1,306	1,306
Transfers (out)	(1,306)	-	-	(1,306)
Payment to refunded bond escrow	-	-	(3,544,630)	(3,544,630)
Total other financing sources	<u>117,694</u>	<u>1,006,000</u>	<u>128,325</u>	<u>1,252,019</u>
Net change in fund balances	1,912,432	186,808	118,055	2,217,295
Fund balances at beginning of year	<u>2,556,533</u>	<u>450,590</u>	<u>326,637</u>	<u>3,333,760</u>
Fund balances at end of year	<u>\$ 4,468,965</u>	<u>\$ 637,398</u>	<u>\$ 444,692</u>	<u>\$ 5,551,055</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	2,217,295
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 910,561	
Depreciation expense	(467,337)	
Total		443,224
Premiums on bonds issued are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(291,652)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		127,019
Payments to refunding bond escrow agents for the retirement of bonds are an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred in the fiscal year:		
Bonds refunded	3,380,000	
Deferred charges on refundings	164,630	
Total		3,544,630
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(84,723)	
Intergovernmental revenue	54,439	
Accrued interest	5,486	
Total		(24,798)
Repayment of bond, lease-purchase and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	125,000	
Lease-purchase	300,665	
Capital lease	45,155	
Total		470,820
The issuance of refunding bonds are recorded as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(3,379,997)
Lease-purchase transactions are recorded as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(1,125,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:		
Increase in accrued interest payable	(10,312)	
Accreted interest on capital appreciation bonds	(35,504)	
Amortization of deferred charges on refundings	(2,712)	
Amortization of bond premium	4,804	
Amortization of bond issuance costs	(2,092)	
Total		(45,816)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		8,871
Change in net assets of governmental activities	\$	1,944,596

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 9,663,614	\$ 10,151,220	\$ 10,326,003	\$ 174,783
Tuition.	51,301	53,889	54,817	928
Earnings on investments.	218,176	229,185	233,131	3,946
Classroom materials and fees	60,145	63,180	64,268	1,088
Other local revenues.	146,492	154,060	156,742	2,682
Intergovernmental - State	4,428,777	4,652,245	4,732,348	80,103
Total revenue	<u>14,568,505</u>	<u>15,303,779</u>	<u>15,567,309</u>	<u>263,530</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,505,858	7,505,858	6,750,622	755,236
Special.	1,727,136	1,727,136	1,553,359	173,777
Other.	2,620	2,620	2,356	264
Support services:				
Pupil.	458,168	458,168	412,069	46,099
Instructional staff	730,297	730,297	656,818	73,479
Board of education	34,637	34,637	31,152	3,485
Administration.	1,538,495	1,538,495	1,383,698	154,797
Fiscal	591,491	591,491	531,978	59,513
Operations and maintenance.	1,841,087	1,841,087	1,655,845	185,242
Pupil transportation	866,760	866,760	779,550	87,210
Central.	2,222	2,222	1,998	224
Operation of non-instructional services	79,417	79,417	71,426	7,991
Extracurricular activities.	391,820	391,820	352,397	39,423
Debt service:				
Principal retirement	30,765	30,765	27,670	3,095
Interest and fiscal charges	5,612	5,612	5,047	565
Total expenditures	<u>15,806,385</u>	<u>15,806,385</u>	<u>14,215,985</u>	<u>1,590,400</u>
Excess (deficiency) of revenues under expenditures.	<u>(1,237,880)</u>	<u>(502,606)</u>	<u>1,351,324</u>	<u>1,853,930</u>
Other financing sources (uses):				
Transfers (out).	(1,841)	(1,841)	(1,306)	535
Advances in	401,210	421,454	428,712	7,258
Advances (out).	(21,700)	(21,700)	(19,517)	2,183
Refund of prior year expenditure	26,806	28,158	28,642	484
Total other financing sources	<u>404,475</u>	<u>426,071</u>	<u>436,531</u>	<u>10,460</u>
Net change in fund balance	(833,405)	(76,535)	1,787,855	1,864,390
Fund balance at beginning of year.	2,606,647	2,606,647	2,606,647	-
Prior year encumbrances appropriated	833,404	833,404	833,404	-
Fund balance at end of year	<u>\$ 2,606,646</u>	<u>\$ 3,363,516</u>	<u>\$ 5,227,906</u>	<u>\$ 1,864,390</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 24,951	\$ 64,930
Total assets	24,951	\$ 64,930
Liabilities:		
Accounts payable	-	\$ 674
Loans payable	-	763
Due to students	-	63,493
Total liabilities	-	\$ 64,930
Net Assets:		
Held in trust for scholarships	24,951	
Total net assets	\$ 24,951	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 12,047
Total additions	12,047
Deductions:	
Scholarships awarded	6,982
Change in net assets	5,065
Net assets at beginning of year	19,886
Net assets at end of year	\$ 24,951

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates 3 instructional facilities staffed by 51 classified employees and 102 certified teaching personnel who provide educational services to 1,468 students from grades K through 12. The District ranks as the 365th largest by total enrollment among the 896 public school districts and community schools in the State.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

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

EHOVE Career Center

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

Northern Ohio Educational Computer Association (NOECA)

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

RELATED ORGANIZATION

Huron Public Library

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

PUBLIC ENTITY RISK POOLS

Ohio Association of School Business Officials

The District participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 12.C. for further information on this group rating plan.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (the "Association") is a public entity risk pool comprised of 14 districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Further information on the Association can be found in Note 12.B.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities 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 District's major governmental funds:

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

Permanent Improvement Fund - The permanent improvement capital projects fund is used to account for the accumulation of resources used for facilities improvements other than those accounted for in other funds.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities not already accounted for in the permanent improvement fund; and (c) grants and other resources whose use is restricted to a particular purpose.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis of accounting, the fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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 costs, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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

1. Prior to January, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Erie County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2008.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2008. All amounts reported in the budgetary statement reflect the original appropriations and the final appropriations, including all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2008, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$228,258, which includes \$5,193 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

I. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service or employees with 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized as a liability on the fund financial statements when due.

K. Unamortized Bond Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11 C.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. Receivables and payables resulting from loans from governmental funds to the agency fund are classified as "loans receivable/payable".

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property taxes unavailable for appropriation, debt service and monies restricted for school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for school bus purchases.

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute. See Note 17 for details.

R. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

S. Nonpublic Schools

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

T. Intergovernmental Pass Through Payments

The District reports expenditures for intergovernmental pass through payments in its nonmajor governmental funds for auxiliary services provided to nonpublic schools (see Note 2.S.) and for operating tax levy receipts collected on-behalf of the Huron Public Library (the "Library"). The District collects all tax receipts and remits to the Library the operating levy receipts collected. The payment to the Library is reported as an intergovernmental pass through expenditure in the nonmajor governmental funds.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Management Information Systems	\$ 333
Title VI-B	4,417
EHA Preschool Grant	1
Improving Teacher Quality	3,519
Miscellaneous Federal Grants	301

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

The deficit fund balances in the Title VI-B, EHA Preschool Grant and Improving Teacher Quality funds resulted from both the reporting of short-term interfund loans as a fund liability rather than as an other financing source and adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

At year-end, the District had \$25 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$4,361,348. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$4,359,552 of the District’s bank balance of \$4,659,552 was exposed to custodial risk as discussed below, while \$300,000 was covered by the Federal Deposit Insurance Corporation.

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

C. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 2,209,499	\$ 2,209,499

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

Credit Risk: The District’s investments in STAR Ohio were assigned an AAAM money market rating by Standard & Poor’s.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,209,499	100.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 4,361,348
Investments	2,209,499
Cash on hand	25
Total	\$ 6,570,872
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,480,991
Private-purpose trust fund	24,951
Agency funds	64,930
Total	\$ 6,570,872

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor Governmental Funds	\$ 18,754

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

B. Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General fund	\$ 1,306

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

<u>Loan From</u>	<u>Loan To</u>	<u>Amount</u>
General	Agency	\$ 763

The loan to the agency fund is expected to be repaid in the subsequent year as resources become available in the agency fund.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased-out. For 2007, tangible personal property is assessed at 12.5% for property including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. 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 District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Erie County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date 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, 2008 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 unearned revenue.

The amount available as an advance at June 30, 2008 was \$972,597 in the general fund, \$34,765 in the debt service fund (a nonmajor governmental fund), and \$35,572 in the permanent improvement fund. These amounts have been recorded as revenue. The amounts that were available as an advance at June 30, 2007 were \$895,864 in the general fund, \$48,499 in the debt service fund (a nonmajor governmental fund), and \$34,750 in the permanent improvement fund.

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 has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 322,198,000	95.05	\$ 328,319,762	97.99
Public utility personal	6,791,190	2.00	2,727,646	0.82
Tangible personal property	<u>9,989,325</u>	<u>2.95</u>	<u>3,995,730</u>	<u>1.19</u>
Total	<u>\$ 338,978,515</u>	<u>100.00</u>	<u>\$ 335,043,138</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$71.25		\$71.25	
Permanent improvements	3.00		3.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, loans and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 – RECEIVABLES - (Continued)

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

Governmental Activities:

Taxes	\$ 11,339,246
Accounts	12,884
Loans receivable	763
Accrued interest	10,974
Intergovernmental	<u>57,612</u>
Total	<u>\$ 11,421,479</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2008</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 429,494	\$ -	\$ -	\$ 429,494
Total capital assets, not being depreciated	<u>429,494</u>	<u>-</u>	<u>-</u>	<u>429,494</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,168,177	21,189	-	1,189,366
Buildings and improvements	7,234,547	822,514	-	8,057,061
Furniture and equipment	3,558,712	66,858	-	3,625,570
Vehicles	<u>1,155,535</u>	<u>-</u>	<u>-</u>	<u>1,155,535</u>
Total capital assets, being depreciated	<u>13,116,971</u>	<u>910,561</u>	<u>-</u>	<u>14,027,532</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(759,490)	(33,947)	-	(793,437)
Buildings and improvements	(3,591,756)	(187,405)	-	(3,779,161)
Furniture and equipment	(2,529,923)	(180,284)	-	(2,710,207)
Vehicles	<u>(888,699)</u>	<u>(65,701)</u>	<u>-</u>	<u>(954,400)</u>
Total accumulated depreciation	<u>(7,769,868)</u>	<u>(467,337)</u>	<u>-</u>	<u>(8,237,205)</u>
Governmental activities capital assets, net	<u>\$ 5,776,597</u>	<u>\$ 443,224</u>	<u>\$ -</u>	<u>\$ 6,219,821</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 122,292
Special	769
<u>Support Services:</u>	
Pupil	905
Instructional staff	5,045
Administration	141,987
Fiscal	5,533
Operations and maintenance	44,925
Pupil transportation	88,609
Food service operations	10,935
Extracurricular activities	<u>46,337</u>
Total depreciation expense	<u>\$ 467,337</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior year, the District entered into a capital lease agreement for copier equipment. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances - governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General capital assets acquired by lease have been capitalized in the amount of \$209,018, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2008 was \$125,411 leaving a current book value of \$83,607. A corresponding liability was recorded in the statement of net assets. Principal and interest payments in the 2008 fiscal year totaled \$45,155 and \$1,826, respectively. These amounts are reflected as debt service expenditures in the general fund and as a reduction to the long-term liability on the statement of net assets.

There are no future principal or interest payments to the capital lease.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LEASE-PURCHASE AGREEMENT

During fiscal year 2008 and in the prior fiscal year, the District entered into two lease-purchase agreements with All Points Public Funding, LLC. These leases meet the criteria of a lease-purchase as defined by FASB Statement No. 13, "Accounting for Leases", which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. The lease entered into during fiscal year 2007 was used to defease the District's lease held by All Points Public Funding, LLC for a new elementary school addition and the lease held by the Huron Athletic Booster, Inc. for stadium renovations. In addition, a portion of the lease was used to purchase computer equipment and a telephone system. The lease entered into during fiscal year 2008 was used purchase new science labs, equipment and computers. Capital assets acquired by lease purchases have been capitalized in the amount of \$4,778,217. Accumulated depreciation as of June 30, 2008 was \$747,310, leaving a current book value of \$4,030,907. Lease-purchase payments for the agreement entered into in 2007 have been reflected as debt service expenditures in the permanent improvement fund. Lease-purchase payments for the agreement entered into in 2008 have been reflected as debt service expenditures in the general and permanent improvement fund. Principal and interest payments in fiscal year 2008 totaled \$27,670 and \$5,047, respectively, in the general fund and \$272,995 and \$146,215, respectively in the permanent improvement fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreements and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ending June 30,	Total
2009	\$ 494,408
2010	494,474
2011	437,764
2012	402,772
2013	344,973
2014 - 2018	1,437,462
2019 - 2023	584,311
Total minimum lease payments	4,196,164
Less: amount representing interest	(889,126)
Present value of minimum lease payments	\$ 3,307,038

NOTE 11 - LONG-TERM OBLIGATIONS

A. Library Improvement Bonds - Series 1999

During fiscal year 1999, a levy was passed in the District's name for the Huron Public Library. Ohio law does not allow local libraries to issue debt or levy taxes in their name. The bonds and the levy were placed in the name of Huron City School District by resolution of the District's Board of Education. The current obligation bond outstanding was issued to provide funds for the improvement and construction of equipment and facilities, and is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The library's assets are not reported in the District's capital assets. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund (a nonmajor governmental fund). The source of payment is derived from a current bonded debt levy.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The Series 1999 library improvement general obligation bond issue was comprised of both current interest bonds, par value \$4,260,000, and capital appreciation bonds, par value \$39,989. The capital appreciation bonds matured on December 1, 2006 and December 1, 2007 (effective interest 25.49%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

During fiscal year 2008, the District advance refunded the callable portion (\$3,380,000) of the current interest bonds. Interest payments on the remaining current interest bonds are due on June 1 and December 1 of each year. The final maturity stated on the remaining current interest bonds is December 1, 2009.

The following is a schedule of activity for the Series 1999 library improvement bonds:

	Balance			Balance	Amounts
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>Due in</u>
					<u>One Year</u>
Series 1999, library improvement current interest bonds 3.85-5.625% 12/01/09 maturity	\$ 3,640,000	\$ -	\$ (3,380,000)	\$ 260,000	\$ 125,000
Series 1999, library improvement capital appreciation bonds 25.49% (effective), 12/1/06 and 12/1/07 maturity	17,608	-	(17,608)	-	-
Series 1999, library improvement capital appreciation bonds accrued interest	<u>93,392</u>	<u>14,000</u>	<u>(107,392)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,751,000</u>	<u>\$ 14,000</u>	<u>\$ (3,505,000)</u>	<u>\$ 260,000</u>	<u>\$ 125,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for the Series 1999 library improvement bonds:

Fiscal Year <u>Ending June 30,</u>	Current Interest		
	<u>Library Improvement Bonds (Series 1999)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 125,000	\$ 9,338	\$ 134,338
2010	<u>135,000</u>	<u>10,085</u>	<u>145,085</u>
Total	<u>\$ 260,000</u>	<u>\$ 19,423</u>	<u>\$ 279,423</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Library Refunding Bonds - Series 2007

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

The refunding issue is comprised of both current interest bonds, par value \$3,180,000 and capital appreciation bonds, par value \$199,997. The capital appreciation bonds mature December 1, 2014, December 1, 2015 and December 1, 2016 (effective interest 15.78%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$660,000. Total accreted interest of \$21,504 has been included in the statement of net assets at June 30, 2008.

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

	Balance			Balance	Amounts
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>Due in</u>
					<u>One Year</u>
Series 2007, library refunding current interest bonds - 4.0% 12/01/25 maturity	\$ -	\$ 3,180,000	\$ -	\$ 3,180,000	\$ 20,000
Series 2007, library refunding capital appreciation bonds 15.78% (effective interest), 12/1/14, 12/1/15 and 12/1/16 maturity	-	199,997	-	199,997	-
Series 2007, library refunding capital appreciation bonds accreted interest	-	21,504	-	21,504	-
Total	<u>\$ -</u>	<u>\$ 3,401,501</u>	<u>\$ -</u>	<u>\$ 3,401,501</u>	<u>\$ 20,000</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$164,630. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next eighteen years by \$298,442 and resulted in an economic gain of \$238,793.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Library Refunding Bonds (Series 2007)			Library Refunding Bonds (Series 2007)		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 20,000	\$ 126,800	\$ 146,800	\$ -	\$ -	\$ -
2010	45,000	125,500	170,500	-	-	-
2011	185,000	120,900	305,900	-	-	-
2012	195,000	113,300	308,300	-	-	-
2013	205,000	105,300	310,300	-	-	-
2014-2018	430,000	463,800	893,800	199,997	460,003	660,000
2019-2023	1,235,000	300,100	1,535,100	-	-	-
2024-2026	865,000	52,900	917,900	-	-	-
Total	<u>\$ 3,180,000</u>	<u>\$ 1,408,600</u>	<u>\$ 4,588,600</u>	<u>\$ 199,997</u>	<u>\$ 460,003</u>	<u>\$ 660,000</u>

C. During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due in One Year
Governmental Activities:					
General obligation bonds - Series 1999	\$ 3,751,000	\$ 14,000	\$ (3,505,000)	\$ 260,000	\$ 125,000
General obligation bonds - Series 2007	-	3,401,501	-	3,401,501	20,000
Capital lease obligation	45,155	-	(45,155)	-	-
Lease-purchase agreements	2,482,703	1,125,000	(300,665)	3,307,038	346,721
Compensated absences	1,488,769	204,564	(501,427)	1,191,906	263,857
Total long-term obligations, governmental activities	<u>\$ 7,767,627</u>	<u>\$ 4,745,065</u>	<u>\$ (4,352,247)</u>	8,160,445	<u>\$ 755,578</u>
			Less: Deferred charge on refunding	(161,918)	
			Add: Unamortized premium	286,848	
				<u>\$ 8,285,375</u>	

See Note 9 for detail on the District's capital lease obligation.

See Note 10 for detail on the District's lease-purchase agreements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$26,823,089 (including available funds of \$283,918) and an unvoted debt margin of \$335,563.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In fiscal year 2008, the District added a rider to its policies to cover the District in the event of a violent action. All other coverages remained the same or increased to reflect increases in property value.

B. Health Benefits

The District provides employee health care benefits through membership in the Huron-Erie School Employees Insurance Association (the "Association"), a public entity risk management pool. Monthly payments are made to the Association for health, dental and vision insurance coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the Association will purchase stop-loss insurance policies from commercial insurance carriers to cover any yearly claims in excess of 120% of the prior year's aggregate claims. Individual coverage cannot exceed \$1,000,000 in claims during their lifetime. Financial information can be obtained by writing to the North Point Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2008, the District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniserve provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$175,727, \$191,381 and \$155,376, respectively; 40.18 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

**HURON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$752,364, \$672,583 and \$666,969, respectively; 84.93 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$903 made by the District and \$1,456 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 of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2008, three members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$119,183, \$86,403 and \$77,088, respectively; 40.18 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$12,662, \$13,014 and \$12,367, respectively; 40.18 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$57,874, \$51,737 and \$51,305, respectively; 84.93 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

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

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 1,787,855
Net adjustment for revenue accruals	75,967
Net adjustment for expenditure accruals	191,420
Net adjustment for other sources/uses	(318,837)
Adjustment for encumbrances	176,027
GAAP basis	\$ 1,912,432

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

NOTE 17 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbook/ Instructional <u>Materials</u>	Capital Maintenance <u>Reserve</u>
Set-aside balance as of June 30, 2007	\$ (870,924)	\$ (978,543)
Current year set-aside requirement	224,341	224,341
Current year offsets	-	(402,799)
Current year offset-debt related levy for capital	-	(300,665)
Qualifying expenditures	<u>(543,897)</u>	<u>-</u>
Total	<u>\$ (1,190,480)</u>	<u>\$ (1,457,666)</u>
Balance carried forward to FY 2009	<u>\$ (1,190,480)</u>	<u>\$ (1,279,208)</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. The capital acquisition reserve had debt related offsets that may be carried forward to future years. Excess qualifying disbursements may not be carried forward.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 17 - STATUTORY RESERVES - (Continued)

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Amount restricted for school bus purchases	<u>\$ 15,108</u>
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SUPPLEMENTARY DATA

**HURON CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT YEAR	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
(C) Food Donation	10.550	2008	\$ 36,582	\$ 36,582
Total Food Donation			<u>36,582</u>	<u>36,582</u>
Nutrition Cluster:				
(D) (E) School Breakfast Program	10.553	2008	15,618	15,618
Total School Breakfast Program			<u>15,618</u>	<u>15,618</u>
(D) (E) National School Lunch Program	10.555	2008	158,126	158,126
Total National School Lunch Program			<u>158,126</u>	<u>158,126</u>
Total Nutrition Cluster			<u>173,744</u>	<u>173,744</u>
Total U.S. Department of Agriculture			<u>210,326</u>	<u>210,326</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Title I Grants to Local Educational Agencies	84.010	2007	34,824	29,435
Title I Grants to Local Educational Agencies	84.010	2008	128,007	91,784
Total Title I Grants to Local Educational Agencies			<u>162,831</u>	<u>121,219</u>
Special Education Cluster:				
(F) Special Education Grants to States	84.027	2007	15,470	8,238
(F) Special Education Grants to States	84.027	2008	328,601	332,197
Total Special Education Grants to States			<u>344,071</u>	<u>340,435</u>
(F) Special Education Preschool Grants	84.173	2008	12,333	12,333
Total Special Education Preschool Grants			<u>12,333</u>	<u>12,333</u>
Total Special Education Cluster			<u>356,404</u>	<u>352,768</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	2007	585	1,028
Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	4,199	4,072
Total Safe and Drug-Free Schools and Communities State Grants			<u>4,784</u>	<u>5,100</u>
State Grants for Innovative Programs	84.298	2008	3,473	2,148
Total State Grants for Innovative Programs			<u>3,473</u>	<u>2,148</u>
Education Technology State Grants	84.318	2007	389	564
Education Technology State Grants	84.318	2008	1,295	1,295
Total Education Technology State Grants			<u>1,684</u>	<u>1,859</u>
Improving Teacher Quality State Grants	84.367	2007	16,040	11,982
Improving Teacher Quality State Grants	84.367	2008	39,185	41,723
Total Improving Teacher Quality State Grants			<u>55,225</u>	<u>53,705</u>
Total U.S. Department of Education			<u>584,401</u>	<u>536,799</u>
Total Federal Financial Assistance			<u>\$ 794,727</u>	<u>\$ 747,125</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2008.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Cluster" in determining major programs.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Huron City School District
712 Cleveland Road East
Huron, Ohio 44839-1871

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huron City School District as of and for the fiscal year ended June 30, 2008, which collectively comprise Huron City School District's basic financial statements and have issued our report thereon dated October 15, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Huron City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Huron City School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Huron City School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Huron City School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Huron City School District's financial statements that is more than inconsequential will not be prevented or detected by the Huron City School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Huron City School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Huron City School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Huron City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Huron City School District in a separate letter dated October 15, 2008.

This report is intended solely for the information and use of the management and Board of Education of the Huron City School District 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 cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 15, 2008



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report On Compliance With Requirements Applicable to Its
Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133**

Board of Education
Huron City School District
712 Cleveland Road East
Huron, Ohio 44839-1871

Compliance

We have audited the compliance of the Huron City School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2008. Huron City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Huron City School District's management. Our responsibility is to express an opinion on the Huron City School 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, *Audit 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron City School 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 Huron City School District's compliance with those requirements.

In our opinion, Huron City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of Huron City School 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 Huron City School 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Huron City School District's internal control over compliance.

Board of Education
Huron City School District

A control deficiency in Huron City School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Huron City School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Huron City School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Huron City School District's internal control.

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

This report is intended solely for the information and use of management, the Board of Education of Huron City School District, 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 cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
October 15, 2008

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

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 reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program:	Special Education Cluster: Special Education: Grants to States - CFDA #84.027; and Special Education: Preschool Grants - CFDA #84.173.
<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 BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Mary Taylor, CPA
Auditor of State

HURON CITY SCHOOL DISTRICT

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 11, 2008**