

**HURON CITY SCHOOL DISTRICT**

Erie County, Ohio

Single Audit

For The Fiscal Year Ended June 30, 2009

Fiscal Year Audited Under GAGAS: 2009

**CAUDILL & ASSOCIATES, CPA'S**

725 5<sup>TH</sup> Street  
Portsmouth, OH 45662





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Huron City School District, Erie County, prepared by Caudill & Associates, CPA's, for the audit period July 1, 2008 through June 30, 2009. 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

January 19, 2010

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

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# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

To the 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, 2009, which collectively comprise the Huron City School District's basis 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 the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2009, 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 December 4, 2009, 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, 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.

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 inquires 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.

Board of Education  
Huron City School District

Independent Auditor's Report (Continued)

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.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
December 4, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (Unaudited)

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, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets of governmental activities increased \$1,271,213.
- General revenues accounted for \$16,408,184 in revenue or 88.82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,065,174 or 11.18% of total revenues of \$18,473,358.
- The District had \$17,202,145 in expenses related to governmental activities; only \$2,065,174 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,408,184 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 \$15,656,028 in revenues and \$14,000,575 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance increased \$1,655,453 from a balance of \$4,468,965 to a balance of \$6,124,418.
- The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$2,300,235 in revenues and other financing sources and \$2,366,864 in expenditures. During fiscal year 2009, the permanent improvement fund's fund balance decreased \$66,629 from \$637,398 to \$570,769.

**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, 2009 (Unaudited)

**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 2009?" 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, 2009 (Unaudited)

***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 at June 30, 2009 and June 30, 2008:

	<b>Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Assets</u></b>		
Current and other assets	\$ 18,606,309	\$ 18,071,230
Capital assets, net	<u>7,084,001</u>	<u>6,219,821</u>
Total assets	<u>25,690,310</u>	<u>24,291,051</u>
<b><u>Liabilities</u></b>		
Current liabilities	10,386,559	11,335,050
Long-term liabilities	<u>9,361,912</u>	<u>8,285,375</u>
Total liabilities	<u>19,748,471</u>	<u>19,620,425</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,481,287	2,912,783
Restricted	1,171,971	1,094,462
Unrestricted	<u>2,288,581</u>	<u>663,381</u>
Total net assets	<u>\$ 5,941,839</u>	<u>\$ 4,670,626</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$5,941,839.

At year-end, capital assets represented 27.57% 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, 2009, were \$2,481,287. 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.

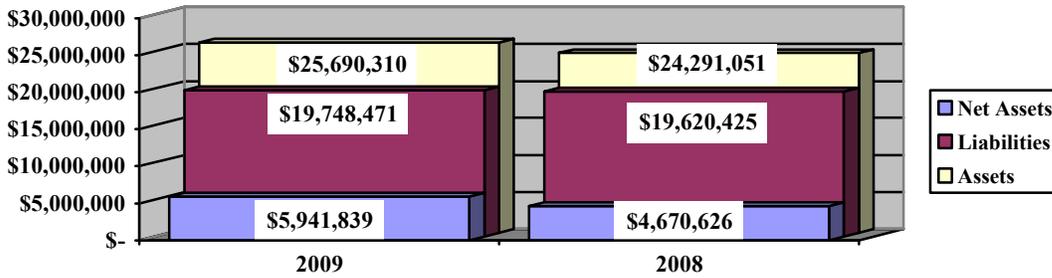
A portion of the District's net assets, \$1,171,971, represents resources that are subject to external restriction on how they may be used. The District had a remaining balance of unrestricted net assets of \$2,288,581.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (Unaudited)

The table below provides a summary of the District's net assets for 2009 and 2008:

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2009 and 2008:

**Change in Net Assets**

	Governmental Activities 2009	Governmental Activities 2008
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 811,456	\$ 862,043
Operating grants and contributions	1,135,749	1,082,089
Capital grants and contributions	117,969	154,237
General revenues:		
Property taxes	10,996,983	11,135,972
Grants and entitlements	5,266,099	4,816,276
Investment earnings	118,676	237,166
Other	26,426	30,854
Total revenues	<u>18,473,358</u>	<u>18,318,637</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (Unaudited)

**Change in Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 7,109,702	\$ 5,930,148
Special	1,962,187	1,877,986
Other	62,936	67,622
Support services:		
Pupil	504,916	489,847
Instructional staff	700,231	695,279
Board of education	32,663	25,818
Administration	1,599,726	1,477,973
Fiscal	542,103	546,239
Business	95	-
Operations and maintenance	1,676,323	2,480,316
Pupil transportation	993,245	877,788
Central	1,416	1,998
Operations of non-instructional:		
Food service operations	722,341	677,901
Other non-instructional services	258,006	213,509
Extracurricular activities	556,432	563,438
Intergovernmental pass through	118,257	142,385
Interest and fiscal charges	<u>361,566</u>	<u>305,794</u>
Total expenses	<u>17,202,145</u>	<u>16,374,041</u>
Change in net assets	1,271,213	1,944,596
Net assets at beginning of year	<u>4,670,626</u>	<u>2,726,030</u>
Net assets at end of year	<u>\$ 5,941,839</u>	<u>\$ 4,670,626</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,271,213. Total governmental expenses of \$17,202,145 were offset by program revenues of \$2,065,174 and general revenues of \$16,408,184. Program revenues supported 12.01% 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 88.04% of total governmental revenue. Real estate property is reappraised every six years.

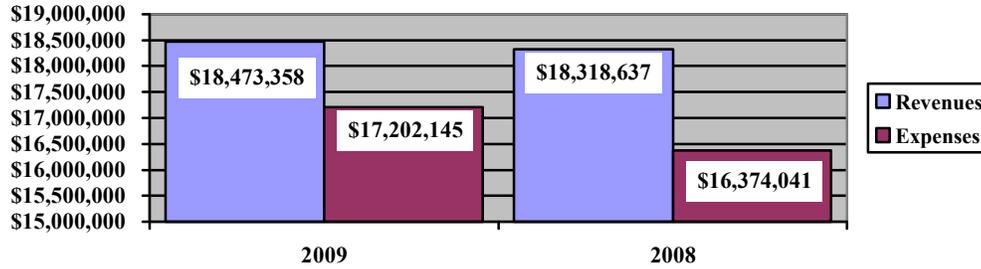
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,134,825 or 53.10% of total governmental expenses for fiscal year 2009.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (Unaudited)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008:

**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 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,109,702	\$ 6,796,256	\$ 5,930,148	\$ 5,749,724
Special	1,962,187	1,628,878	1,877,986	1,446,736
Other	62,936	4,023	67,622	808
Support services:				
Pupil	504,916	383,600	489,847	389,181
Instructional staff	700,231	688,794	695,279	659,659
Board of education	32,663	32,663	25,818	25,818
Administration	1,599,726	1,547,451	1,477,973	1,440,844
Fiscal	542,103	541,457	546,239	545,294
Business	95	95	-	-
Operations and maintenance	1,676,323	1,524,837	2,480,316	2,233,074
Pupil transportation	993,245	964,052	877,788	844,145
Central	1,416	1,416	1,998	1,998
Operation of non-instructional:				
Food service operations	722,341	66,543	677,901	19,657
Other non-instructional services	258,006	76,863	213,509	54,296
Extracurricular activities	556,432	400,220	563,438	416,259
Intergovernmental pass through	118,257	118,257	142,385	142,385
Interest and fiscal charges	361,566	361,566	305,794	305,794
<b>Total expenses</b>	<b>\$ 17,202,145</b>	<b>\$ 15,136,971</b>	<b>\$ 16,374,041</b>	<b>\$ 14,275,672</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 92.27% of instruction activities are supported through taxes and other general revenues.

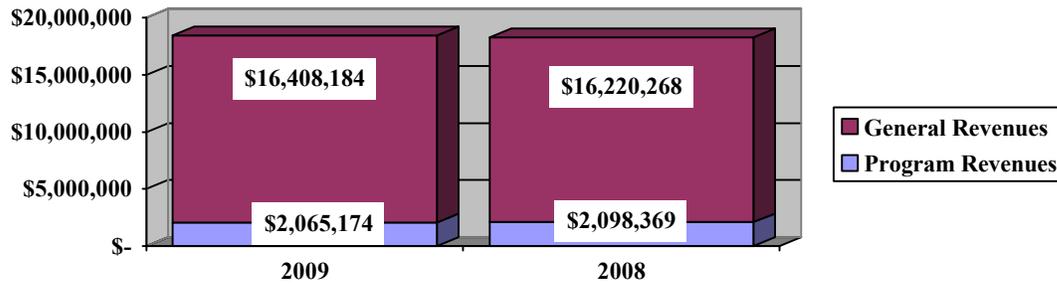
**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (Unaudited)

For all governmental activities, general revenue support is 87.99%. The District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 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 \$7,242,196 which is higher than last year's balance of \$5,551,055. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase/ <u>(Decrease)</u>
General	\$ 6,124,418	\$ 4,468,965	\$ 1,655,453
Permanent Improvement	570,769	637,398	(66,629)
Other Governmental	<u>547,009</u>	<u>444,692</u>	<u>102,317</u>
Total	<u>\$ 7,242,196</u>	<u>\$ 5,551,055</u>	<u>\$ 1,691,141</u>

**General Fund**

The District's general fund's fund balance increased by \$1,655,453.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (Unaudited)

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 10,081,221	\$ 10,402,736	\$ (321,515)	(3.09) %
Tuition	110,352	57,697	52,655	91.26 %
Earnings on investments	124,263	228,258	(103,995)	(45.56) %
Intergovernmental	5,197,957	4,735,416	462,541	9.77 %
Other revenues	<u>142,235</u>	<u>219,169</u>	<u>(76,934)</u>	<u>(35.10) %</u>
Total	<u>\$ 15,656,028</u>	<u>\$ 15,643,276</u>	<u>\$ 12,752</u>	<u>0.08 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 8,034,463	\$ 8,108,536	\$ (74,073)	(0.91) %
Support services	5,430,935	5,224,607	206,328	3.95 %
Operation of non-instructional services	69,689	69,115	574	0.83 %
Extracurricular activities	354,060	366,582	(12,522)	(3.42) %
Debt service	<u>89,124</u>	<u>79,698</u>	<u>9,426</u>	<u>11.83 %</u>
Total	<u>\$ 13,978,271</u>	<u>\$ 13,848,538</u>	<u>\$ 129,733</u>	<u>0.94 %</u>

Revenues of the general fund increased \$12,752 or 0.08%. The most significant increase was in intergovernmental revenue. Intergovernmental revenue increased \$462,541 or 9.77%. The primary source of this increase is a \$283,000 increase in tangible personal property tax loss reimbursements from the State. The most significant decreases were in taxes and earnings on investments. Tax decreased \$321,515 due mainly to a decrease of \$420,000 in personal property tax receipts. The decrease of \$103,995 in earnings on investments can be attributed to a decrease in interest rates earned on the District's bank accounts.

Expenditures of the general fund increased \$129,733 or 0.94%. The most significant increase was in the area of support service expenditures which increased \$206,328. This is due to increases in wages and benefits.

***Permanent Improvement Fund***

The District's permanent improvement fund's fund balance decreased by \$66,629. The permanent improvement fund had \$2,300,235 in revenues and other financing sources and \$2,366,864 in expenditures. The primary sources of revenue in the permanent improvement fund in fiscal year 2009 are a permanent improvement tax levy and proceeds from House Bill 264 general obligation bonds.

***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 \$15,300,000, which was higher than the original budgeted revenues estimate of \$15,200,000. Actual revenues and other financing sources for fiscal year 2009 were \$15,392,523. This represents a \$92,523 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,263,530 were increased to \$18,176,027 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$14,554,022, which was \$3,622,005 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, 2009 (Unaudited)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2009, the District had \$7,084,001 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2009 balances compared to June 30, 2008:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 424,412	\$ 429,494
Land improvements	683,576	395,929
Building and improvements	5,429,204	4,277,900
Furniture and equipment	380,830	915,363
Vehicles	<u>165,979</u>	<u>201,135</u>
Total	<u>\$ 7,084,001</u>	<u>\$ 6,219,821</u>

Total additions to capital assets for fiscal year 2009 were \$1,753,963. The overall increase in capital assets of \$864,180 is primarily due to the additions exceeding the recording of \$311,247 in depreciation expense for fiscal year 2009 and deletions of \$578,536 (net of accumulated depreciation).

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

***Debt Administration***

At June 30, 2009, the District had \$8,106,771 in general obligation bonds and lease-purchase agreements outstanding. Of this total, \$613,108 is due within one year and \$7,493,663 is due within greater than one year. The following table summarizes the bonds and lease purchase agreements outstanding.

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
	General obligation bonds - Series 1999	\$ 135,000
General obligation bonds - Series 2007	3,416,454	3,401,501
HB 264 general obligation bonds - Series 2008	1,595,000	-
Lease-purchase agreement	<u>2,960,317</u>	<u>3,307,038</u>
Total	<u>\$ 8,106,771</u>	<u>\$ 6,968,539</u>

At June 30, 2009, the District's overall legal debt margin was \$25,358,785, and the unvoted debt margin was \$334,354. See Note 10 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, 2009 (Unaudited)

**Current Financial Related Activities**

During fiscal year 2009, 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 or 2013. The District also extended its contracts with both unions for one year with a 2% increase in the additional year. The new dates for the contracts to expire are June 30, 2011 for the Huron Classified Education Association and August 31, 2012 for the Huron Education Association.

In November of 2008, 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 is now 80% complete and it is expected to be finished in early fiscal year 2010.

In May of 2008 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; these changes have taken place in the 2008-2009 school years (fiscal year 2009). These changes are reflected in the District's financial performance for fiscal year 2009.

In June of 2009 the District was notified that it would be the recipient of approximately \$400,000 in ARRA funds during fiscal year 2010. Half the money will be used to offset existing programs and the remaining will be primarily used to upgrade computer and related equipment.

In June 2009 the District applied for a \$1.5 million loan through ARRA program. The purpose of the loan was to complete the energy upgrades started in November 2008. These will include new windows at the High School and McCormick Junior High School, a replace roof at Shawnee School and up to two wind turbines along with security upgrades at the High School. In August the District was notified that the loan has been approved at no interest cost to the District. In July the District received a gift of a wind turbine at its Woodlands location. The turbine will be installed by December 2009 and it is expected to save the District \$10,000 to \$20,000 annually in electric costs. Both the first five years maintenance and the cost of the turbine, including installation, are being covered at no cost to the District.

The State of Ohio has recently changed its method of funding for its school districts. The new funding formula requires potential significant additional costs to the District because of personnel requirements to meet the new standards. Because of the State's revenue shortfall much of this program has been deferred to at least fiscal year 2012. The requirements in fiscal year 2010 and fiscal year 2011 will have minimal impact on the District and because of guarantees the District will receive 98% of the funding they received in fiscal year 2009.

The District was named by the Ohio Department of Education as "Excellent with Distinction". This rating allows the District to receive waivers for many of the additional requirements under Ohio's new funding model.

**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](http://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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 7,559,986
Cash in segregated accounts . . . . .	41,680
Receivables:	
Taxes . . . . .	10,725,614
Accounts . . . . .	14,478
Intergovernmental . . . . .	42,903
Accrued interest . . . . .	9,683
Loans . . . . .	13,398
Prepayments . . . . .	2,060
Materials and supplies inventory . . . . .	9,079
Unamortized bond issue costs . . . . .	187,428
Capital assets:	
Land . . . . .	424,412
Depreciable capital assets, net . . . . .	<u>6,659,589</u>
Total capital assets, net . . . . .	<u>7,084,001</u>
 Total assets . . . . .	 <u>25,690,310</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	59,111
Accrued wages and benefits . . . . .	1,237,043
Pension obligation payable . . . . .	304,255
Intergovernmental payable . . . . .	50,288
Unearned revenue . . . . .	8,719,098
Accrued interest payable . . . . .	16,764
Long-term liabilities:	
Due within one year . . . . .	943,379
Due in more than one year . . . . .	<u>8,418,533</u>
 Total liabilities . . . . .	 <u>19,748,471</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	2,481,287
Restricted for:	
Capital projects . . . . .	593,718
Debt service . . . . .	353,026
State funded programs . . . . .	52,327
Federally funded programs . . . . .	9,508
Student activities . . . . .	57,716
Other purposes . . . . .	105,676
Unrestricted . . . . .	<u>2,288,581</u>
 Total net assets . . . . .	 <u>\$ 5,941,839</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	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
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 7,109,702	\$ 180,346	\$ 128,148	\$ 4,952	\$ (6,796,256)
Special . . . . .	1,962,187	1,925	331,384	-	(1,628,878)
Other . . . . .	62,936	7,428	51,485	-	(4,023)
Support services:					
Pupil . . . . .	504,916	3,120	118,196	-	(383,600)
Instructional staff . . . . .	700,231	-	11,437	-	(688,794)
Board of education . . . . .	32,663	-	-	-	(32,663)
Administration . . . . .	1,599,726	-	52,262	13	(1,547,451)
Fiscal . . . . .	542,103	-	-	646	(541,457)
Business . . . . .	95	-	-	-	(95)
Operations and maintenance . . . . .	1,676,323	49,877	772	100,837	(1,524,837)
Pupil transportation . . . . .	993,245	269	17,403	11,521	(964,052)
Central . . . . .	1,416	-	-	-	(1,416)
Operation of non-instructional:					
Food service operations . . . . .	722,341	452,385	203,413	-	(66,543)
Other non-instructional services . . . . .	258,006	-	181,143	-	(76,863)
Extracurricular activities . . . . .	556,432	116,106	40,106	-	(400,220)
Intergovernmental pass through . . . . .	118,257	-	-	-	(118,257)
Interest and fiscal charges . . . . .	361,566	-	-	-	(361,566)
<b>Total governmental activities . . . . .</b>	<b>\$ 17,202,145</b>	<b>\$ 811,456</b>	<b>\$ 1,135,749</b>	<b>\$ 117,969</b>	<b>(15,136,971)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
					10,133,973
					418,365
					444,645
					5,266,099
					118,676
					26,426
					<u>16,408,184</u>
					1,271,213
					<u>4,670,626</u>
					<u>\$ 5,941,839</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 6,462,243	\$ 525,070	\$ 546,044	\$ 7,533,357
Cash in segregated accounts . . . . .	38,186	-	3,494	41,680
Receivables:				
Taxes . . . . .	10,005,290	386,862	333,462	10,725,614
Accounts . . . . .	11,169	3,123	186	14,478
Intergovernmental . . . . .	-	-	42,903	42,903
Accrued interest . . . . .	9,683	-	-	9,683
Interfund loans . . . . .	15,623	-	-	15,623
Loans . . . . .	13,398	-	-	13,398
Prepayments . . . . .	2,060	-	-	2,060
Materials and supplies inventory . . . . .	-	-	9,079	9,079
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	26,629	-	-	26,629
Total assets . . . . .	<u>\$ 16,584,281</u>	<u>\$ 915,055</u>	<u>\$ 935,168</u>	<u>\$ 18,434,504</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 49,100	\$ 6,483	\$ 3,528	\$ 59,111
Accrued wages and benefits . . . . .	1,228,434	-	8,609	1,237,043
Compensated absences payable . . . . .	173,752	-	8,454	182,206
Pension obligation payable . . . . .	266,854	-	37,401	304,255
Intergovernmental payable . . . . .	49,687	-	601	50,288
Interfund loan payable . . . . .	-	-	15,623	15,623
Deferred revenue . . . . .	561,609	22,949	40,126	624,684
Unearned revenue . . . . .	8,130,427	314,854	273,817	8,719,098
Total liabilities . . . . .	<u>10,459,863</u>	<u>344,286</u>	<u>388,159</u>	<u>11,192,308</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	190,053	432,321	3,960	626,334
Reserved for materials and supplies inventory . . . . .	-	-	9,079	9,079
Reserved for prepayments . . . . .	2,060	-	-	2,060
Reserved for tax revenue available for appropriation . . . . .	1,321,659	49,059	46,799	1,417,517
Reserved for debt service . . . . .	-	-	310,145	310,145
Reserved for school bus purchases . . . . .	26,629	-	-	26,629
Unreserved, undesignated, reported in:				
General fund . . . . .	4,584,017	-	-	4,584,017
Special revenue funds . . . . .	-	-	177,026	177,026
Capital projects fund . . . . .	-	89,389	-	89,389
Total fund balances . . . . .	<u>6,124,418</u>	<u>570,769</u>	<u>547,009</u>	<u>7,242,196</u>
Total liabilities and fund balances . . . . .	<u>\$ 16,584,281</u>	<u>\$ 915,055</u>	<u>\$ 935,168</u>	<u>\$ 18,434,504</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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Total governmental fund balances</b>		\$	7,242,196
<i>Amounts reported for governmental activities on 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.			7,084,001
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	588,999	
Accounts receivable		6,233	
Intergovernmental receivable		27,280	
Accrued interest receivable		2,172	
Total			624,684
Unamortized deferred charges on refundings are not recognized in the funds.			152,622
Unamortized premiums on bond issuances are not recognized in the funds.			(317,776)
Unamortized bond issuance costs are not recognized in the funds.			187,428
Accrued interest payable is not due and payable within the current period and is therefore not reported in the funds.			(16,764)
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		(907,781)	
General obligation bonds		(5,146,454)	
Lease-purchase agreements		(2,960,317)	
Total			(9,014,552)
<b>Net assets of governmental activities</b>		\$	5,941,839

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, 2009

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 10,081,221	\$ 442,221	\$ 416,498	\$ 10,939,940
Tuition . . . . .	110,352	-	10,571	120,923
Transportation fees . . . . .	246	-	-	246
Charges for services . . . . .	-	-	452,385	452,385
Earnings on investments . . . . .	124,263	-	1,135	125,398
Extracurricular . . . . .	-	-	116,106	116,106
Classroom materials and fees . . . . .	63,725	-	-	63,725
Rental income . . . . .	49,877	-	-	49,877
Contributions and donations . . . . .	-	48,273	49,523	97,796
Other local revenues . . . . .	28,387	58,175	42,015	128,577
Intergovernmental - State . . . . .	5,197,957	106,566	355,774	5,660,297
Intergovernmental - Federal . . . . .	-	-	687,558	687,558
Total revenues . . . . .	<u>15,656,028</u>	<u>655,235</u>	<u>2,131,565</u>	<u>18,442,828</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,468,470	85,711	82,910	6,637,091
Special . . . . .	1,565,093	-	310,827	1,875,920
Other . . . . .	900	-	62,036	62,936
Support services:				
Pupil . . . . .	378,283	-	113,153	491,436
Instructional staff . . . . .	668,116	-	12,860	680,976
Board of education . . . . .	32,663	-	-	32,663
Administration . . . . .	1,407,271	228	74,764	1,482,263
Fiscal . . . . .	517,604	11,181	-	528,785
Business . . . . .	95	-	-	95
Operations and maintenance . . . . .	1,617,189	1,745,297	792	3,363,278
Pupil transportation . . . . .	808,298	-	197	808,495
Central . . . . .	1,416	-	-	1,416
Operation of non-instructional services:				
Food service operations . . . . .	-	-	661,277	661,277
Other non-instructional services . . . . .	69,689	-	188,025	257,714
Extracurricular activities . . . . .	354,060	-	139,473	493,533
Intergovernmental pass through . . . . .	-	-	118,257	118,257
Debt service:				
Principal retirement . . . . .	38,982	307,739	145,000	491,721
Interest and fiscal charges . . . . .	50,142	143,208	141,981	335,331
Bond issuance costs . . . . .	-	73,500	-	73,500
Total expenditures . . . . .	<u>13,978,271</u>	<u>2,366,864</u>	<u>2,051,552</u>	<u>18,396,687</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,677,757</u>	<u>(1,711,629)</u>	<u>80,013</u>	<u>46,141</u>
<b>Other financing sources (uses):</b>				
Premium on sale of bonds . . . . .	-	50,000	-	50,000
Sale of bonds . . . . .	-	1,595,000	-	1,595,000
Transfers in . . . . .	-	-	22,304	22,304
Transfers (out) . . . . .	(22,304)	-	-	(22,304)
Total other financing sources (uses) . . . . .	<u>(22,304)</u>	<u>1,645,000</u>	<u>22,304</u>	<u>1,645,000</u>
Net change in fund balances . . . . .	1,655,453	(66,629)	102,317	1,691,141
<b>Fund balances at beginning of year . . . . .</b>	<u>4,468,965</u>	<u>637,398</u>	<u>444,692</u>	<u>5,551,055</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 6,124,418</u>	<u>\$ 570,769</u>	<u>\$ 547,009</u>	<u>\$ 7,242,196</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, 2009

<b>Net change in fund balances - total governmental funds</b>		\$	1,691,141
<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	\$	1,753,963	
Depreciation expense		(311,247)	
Total		1,442,716	1,442,716
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, change in capitalization threshold and donations) is to decrease net assets.			
			(578,536)
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.			
			(50,000)
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.			
			73,500
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Taxes		57,043	
Tuition		6,233	
Earnings on investments		(5,587)	
Intergovernmental		(27,159)	
Total		30,530	30,530
Repayment of bond and lease-purchase 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		145,000	
Lease-purchase		346,721	
Total		491,721	491,721
The issuance of 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.			
			(1,595,000)
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:			
Decrease in accrued interest payable		9,941	
Accreted interest on capital appreciation bonds		(34,953)	
Amortization of deferred charges on refundings		(9,296)	
Amortization of bond premium		19,072	
Amortization of bond issuance costs		(10,999)	
Total		(26,235)	(26,235)
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.			
			(208,624)
<b>Change in net assets of governmental activities</b>		<b>\$</b>	<b>1,271,213</b>

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, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 9,609,737	\$ 9,673,324	\$ 9,732,159	\$ 58,835
Tuition . . . . .	110,425	111,156	111,832	676
Transportation fees . . . . .	148	149	150	1
Earnings on investments . . . . .	118,458	119,242	119,967	725
Classroom materials and fees . . . . .	62,958	63,375	63,760	385
Rental income . . . . .	46,208	46,514	46,797	283
Other local revenues . . . . .	28,774	28,965	29,141	176
Intergovernmental - State . . . . .	5,135,600	5,169,583	5,201,025	31,442
Total revenues . . . . .	<u>15,112,308</u>	<u>15,212,308</u>	<u>15,304,831</u>	<u>92,523</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,121,868	8,485,818	6,789,599	1,696,219
Special . . . . .	1,712,813	2,040,844	1,632,902	407,942
Other . . . . .	944	1,125	900	225
Support services:				
Pupil . . . . .	405,359	482,992	386,447	96,545
Instructional staff . . . . .	681,928	812,528	650,113	162,415
Board of education . . . . .	34,815	41,483	33,191	8,292
Administration . . . . .	1,520,911	1,812,190	1,449,954	362,236
Fiscal . . . . .	550,262	655,646	524,590	131,056
Business . . . . .	100	119	95	24
Operations and maintenance . . . . .	1,793,612	2,137,117	1,709,931	427,186
Pupil transportation . . . . .	856,160	1,020,128	816,216	203,912
Central . . . . .	1,486	1,770	1,416	354
Operation of non-instructional services . . . . .	72,982	86,959	69,577	17,382
Extracurricular activities . . . . .	360,881	429,995	344,044	85,951
Debt service:				
Principal retirement . . . . .	40,890	48,721	38,982	9,739
Interest and fiscal charges . . . . .	52,596	62,669	50,142	12,527
Total expenditures . . . . .	<u>15,207,607</u>	<u>18,120,104</u>	<u>14,498,099</u>	<u>3,622,005</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(95,299)</u>	<u>(2,907,796)</u>	<u>806,732</u>	<u>3,714,528</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(22,304)	(22,304)	(22,304)	-
Advances in . . . . .	24,116	24,116	24,116	-
Advances (out) . . . . .	(33,619)	(33,619)	(33,619)	-
Refund of prior year expenditure . . . . .	63,576	63,576	63,576	-
Total other financing sources . . . . .	<u>31,769</u>	<u>31,769</u>	<u>31,769</u>	<u>-</u>
Net change in fund balance . . . . .	(63,530)	(2,876,027)	838,501	3,714,528
<b>Fund balance at beginning of year . . . . .</b>	5,227,906	5,227,906	5,227,906	-
<b>Prior year encumbrances appropriated . . . . .</b>	176,027	176,027	176,027	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 5,340,403</u>	<u>\$ 2,527,906</u>	<u>\$ 6,242,434</u>	<u>\$ 3,714,528</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 19,374	\$ 57,522
Total assets . . . . .	<u>19,374</u>	<u>\$ 57,522</u>
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 16
Loans payable . . . . .	-	13,398
Due to students . . . . .	<u>-</u>	<u>44,108</u>
Total liabilities . . . . .	<u>-</u>	<u>\$ 57,522</u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>19,374</u>	
Total net assets . . . . .	<u>\$ 19,374</u>	

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, 2009

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 244
Gifts and contributions . . . . .	3,013
	3,257
<b>Deductions:</b>	
Scholarships awarded . . . . .	8,834
Change in net assets . . . . .	(5,577)
<b>Net assets at beginning of year . . . . .</b>	<b>24,951</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 19,374</b>

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, 2009

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District operates 4 instructional facilities staffed by 70 classified employees, 92 certified teaching personnel and 10 administrators who provide educational services to 1,517 students from grades K through 12. The District ranks as the 354<sup>th</sup> largest by total enrollment among the 922 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 and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Bay Area Council of Governments (BACG)

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

EHOVE Career Center

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

Northern Ohio Educational Computer Association (NOECA)

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

*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, 2009

**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 11.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 11.B.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities 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; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) food service operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**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, 2009

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

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

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

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

*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, 2009, but which were levied to finance fiscal year 2010 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, 2009 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, 2009

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

**E. Budgets**

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

1. Prior to January, 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 2009.
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, 2009

**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 year 2009. 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 2009, 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, 2009.

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 2009 amounted to \$124,263, which includes \$19,297 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, 2009

**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 increased its capitalization threshold from \$1,000 to \$5,000 in fiscal year 2009. 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 <u>Estimated Lives</u>
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, 2009, 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, 2009 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

**J. Accrued Liabilities and Long-Term Obligations**

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

**K. Unamortized Bond 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 10.D.

**L. Interfund Balances**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**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.

**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 and the special trust fund (a nonmajor governmental fund).

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 16 for details.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**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.

**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 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 year 2009.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 4,201
Auxillary services	956
Management information systems	1,968
Title VI-B	5,283
Title I	12,552

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 food service, auxiliary services and management information systems funds result from adjustments for accrued liabilities. The deficit fund balances in the Title VI-B and Title I funds results 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.

**C. Compliance**

- (1) Contrary to Ohio Rev. Code Section 5705.41 (B), District expenditures exceeded appropriations at the fund level in several funds.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

**HURON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Cash on Hand**

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

**B. Cash in Segregated Accounts**

At fiscal year end, \$3,494 was on deposit with Citizen’s Bank for an athletic account and \$38,186 was on deposit with Citizen’s Bank for a transfer account. These amounts are included in the total amount of “Deposits with Financial Institutions”.

**C. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$5,778,278. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$3,597,201 of the District’s bank balance of \$5,814,897 was exposed to custodial risk as discussed below, while \$2,217,696 was covered by the FDIC.

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

**D. Investments**

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>6 months or less</u>
STAR Ohio	\$ 1,900,259	\$ 1,900,259

**HURON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ <u>1,900,259</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,778,278
Investments	1,900,259
Cash on hand	<u>25</u>
Total	<u>\$ 7,678,562</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,601,666
Private-purpose trust fund	19,374
Agency funds	<u>57,522</u>
Total	<u>\$ 7,678,562</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2009 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	\$ 15,623

**HURON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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, 2009, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 22,304

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.

- 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	\$ 13,398

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 property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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.

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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$1,321,659 in the general fund, \$46,799 in the debt service fund (a nonmajor governmental fund) and \$49,059 in the permanent improvement fund. These amounts are recorded as revenue. The amount available for 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. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 328,319,762	97.99	\$ 329,468,150	96.68
Public utility personal	2,727,646	0.82	4,885,600	1.43
Tangible personal property	<u>3,995,730</u>	<u>1.19</u>	<u>6,429,490</u>	<u>1.89</u>
Total	<u>\$ 335,043,138</u>	<u>100.00</u>	<u>\$ 340,783,240</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	
Debt service	1.00		1.00	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 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.

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

<b>Governmental activities:</b>	
Taxes	\$ 10,725,614
Accounts	14,478
Intergovernmental	42,903
Accrued interest	9,683
Loans	<u>13,398</u>
Total	<u>\$ 10,806,076</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2009
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 429,494	\$ -	\$ (5,082)	\$ 424,412
Total capital assets, not being depreciated	<u>429,494</u>	<u>-</u>	<u>(5,082)</u>	<u>424,412</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,189,366	325,119	-	1,514,485
Buildings and improvements	8,057,061	1,428,844	(151,482)	9,334,423
Furniture and equipment	3,625,570	-	(2,655,764)	969,806
Vehicles	1,155,535	<u>-</u>	<u>(68,222)</u>	<u>1,087,313</u>
Total capital assets, being depreciated	<u>14,027,532</u>	<u>1,753,963</u>	<u>(2,875,468)</u>	<u>12,906,027</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(793,437)	(37,472)	-	(830,909)
Buildings and improvements	(3,779,161)	(184,277)	58,219	(3,905,219)
Furniture and equipment	(2,710,207)	(54,342)	2,175,573	(588,976)
Vehicles	<u>(954,400)</u>	<u>(35,156)</u>	<u>68,222</u>	<u>(921,334)</u>
Total accumulated depreciation	<u>(8,237,205)</u>	<u>(311,247)</u>	<u>2,302,014</u>	<u>(6,246,438)</u>
Governmental activities capital assets, net	<u>\$ 6,219,821</u>	<u>\$ 1,442,716</u>	<u>\$ (578,536)</u>	<u>\$ 7,084,001</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 127,357
Special	30,384

Support services:

Pupil	2,413
Instructional staff	5,785
Administration	17,782
Fiscal	1,377
Operations and maintenance	15,276
Pupil transportation	65,354
Food service operations	21,072
Extracurricular activities	<u>24,447</u>
Total depreciation expense	<u>\$ 311,247</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 9 - LEASE-PURCHASE AGREEMENT**

During prior fiscal years, 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, 2009 was \$1,020,965, leaving a current book value of \$3,757,252. 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 2009 totaled \$38,982 and \$50,142, respectively, in the general fund and \$307,739 and \$97,545, 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, 2009.

Fiscal Year Ending June 30,	Total
2010	\$ 494,474
2011	437,764
2012	402,772
2013	344,973
2014	315,068
2015 - 2019	1,382,298
2020 - 2023	324,407
Total minimum lease payments	3,701,756
Less: amount representing interest	(741,439)
Present value of minimum lease payments	\$ 2,960,317

**NOTE 10 - 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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			Amounts	
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due in</u>
				<u>June 30, 2009</u>	<u>One Year</u>
Series 1999, library improvement current interest bonds 3.85-5.625% 12/01/09 maturity	\$ 260,000	\$ -	\$ (125,000)	\$ 135,000	\$ 135,000
Total	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ (125,000)</u>	<u>\$ 135,000</u>	<u>\$ 135,000</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>
2010	\$ 135,000	\$ 10,085	\$ 145,085
Total	<u>\$ 135,000</u>	<u>\$ 10,085</u>	<u>\$ 145,085</u>

**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 (stated interest rate 15.78%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$660,000. Total accreted interest of \$56,457 has been included in the statement of net assets at June 30, 2009.

**HURON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

	Balance			Balance	Amounts
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</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	\$ -	\$ (20,000)	\$ 3,160,000	\$ 45,000
Series 2007, library refunding capital appreciation bonds 15.78% (stated interest), 12/1/14, 12/1/15 and 12/1/16 maturity	199,997	-	-	199,997	-
Series 2007, library refunding capital appreciation bonds accrued interest	<u>21,504</u>	<u>34,953</u>	<u>-</u>	<u>56,457</u>	<u>-</u>
<b>Total</b>	<u>\$ 3,401,501</u>	<u>\$ 34,953</u>	<u>\$ (20,000)</u>	<u>\$ 3,416,454</u>	<u>\$ 45,000</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.

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

Fiscal Year <u>Ending June 30,</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Library Refunding Bonds (Series 2007)</u>			<u>Library Refunding Bonds (Series 2007)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	210,000	97,000	307,000	-	-	-
2015 - 2019	450,000	446,200	896,200	-	-	-
2020 - 2024	1,280,000	249,800	1,529,800	199,997	460,003	660,000
2025 - 2026	<u>590,000</u>	<u>23,800</u>	<u>613,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 3,160,000</u>	<u>\$ 1,281,800</u>	<u>\$ 4,441,800</u>	<u>\$ 199,997</u>	<u>\$ 460,003</u>	<u>\$ 660,000</u>

**HURON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**C. H.B. 264 Bonds - Series 2008**

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 70,000	\$ 77,874	\$ 147,874
2011	85,000	62,470	147,470
2012	85,000	59,707	144,707
2013	90,000	56,945	146,945
2014	95,000	54,020	149,020
2015 - 2019	525,000	214,163	739,163
2020 - 2024	645,000	91,770	736,770
Total	<u>\$ 1,595,000</u>	<u>\$ 616,949</u>	<u>\$ 2,211,949</u>

**D.** During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due in One Year
<b>Governmental activities:</b>					
General obligation bonds - Series 1999	\$ 260,000	\$ -	\$ (125,000)	\$ 135,000	\$ 135,000
General obligation bonds - Series 2007	3,401,501	34,953	(20,000)	3,416,454	45,000
H.B. 264 Bonds - Series 2008	-	1,595,000	-	1,595,000	70,000
Lease-purchase agreements	3,307,038	-	(346,721)	2,960,317	363,108
Compensated absences	1,191,906	228,352	(330,271)	1,089,987	330,271
Total long-term obligations, governmental activities	<u>\$ 8,160,445</u>	<u>\$ 1,858,305</u>	<u>\$ (821,992)</u>	9,196,758	<u>\$ 943,379</u>
				Less: Deferred charge on refunding	(152,622)
				Add: Unamortized premium	317,776
				<u>\$ 9,361,912</u>	

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

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

**HURON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**E. 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, 2009, are a voted debt margin of \$25,358,785 (including available funds of \$356,944) and an unvoted debt margin of \$334,354.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In fiscal year 2009, the District added a rider to its policies to cover the District in the event of a violent action. The District also carries an umbrella policy for additional liability protection. All other 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 13. 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, 2009

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

For fiscal year 2009, 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. 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 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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](http://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 2009, 9.09 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, 2009, 2008 and 2007 were \$196,622, \$175,727 and \$191,381, respectively; 55.82 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 12 - PENSION PLANS - (Continued)**

**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](http://www.strsoh.org).

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 2009, 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, 2009, 2008 and 2007 were \$758,320, \$752,364 and \$672,583, respectively; 83.17 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$6,099 made by the District and \$6,844 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 105(e). For 2009, 4.16 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 2009, the actuarially determined 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 (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$128,351, \$119,183 and \$86,403, respectively; 55.82 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$16,223, \$12,662 and \$13,014, respectively; 55.82 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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](http://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, 2009**

**NOTE 13 - 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 2009, 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, 2009, 2008, and 2007 were \$58,332, \$57,874 and \$51,737, respectively; 83.17 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 - 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); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 838,501
Net adjustment for revenue accruals	351,197
Net adjustment for expenditure accruals	273,390
Net adjustment for other sources/uses	(54,073)
Adjustment for encumbrances	246,438
GAAP basis	\$ 1,655,453

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is 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 16 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 16 - STATUTORY RESERVES - (Continued)**

During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbook/ Instructional <u>Materials</u>	Capital Maintenance <u>Reserve</u>
Set-aside balance as of June 30, 2008	\$ (1,190,480)	\$ (1,279,208)
Current year set-aside requirement	331,298	331,298
Current year offsets	-	(428,734)
Current year offset-debt related levy for capital	-	(346,721)
Qualifying expenditures	<u>(501,285)</u>	<u>-</u>
Total	<u>\$ (1,360,467)</u>	<u>\$ (1,723,365)</u>
Balance carried forward to FY 2010	<u>\$ (1,360,467)</u>	<u>\$ (1,625,929)</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.

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, 2009 follows:

Amount restricted for school bus purchases	<u>\$ 26,629</u>
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**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>United States Department of Agriculture</b>				
<i>Passed through the Ohio Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
Non-Cash Assistance (Food Donation)				
National School Lunch Program	N/A	10.555	\$ 29,223	\$ 29,223
School Breakfast Program	05-PU	10.553	8,469	8,469
National School Lunch Program	LLP4	10.555	152,300	152,300
Child Nutrition Cluster Total			<u>160,769</u>	<u>160,769</u>
Total United States Department of Agriculture			<u>189,992</u>	<u>189,992</u>
<b>United States Department of Education</b>				
<i>Passed through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	C1S1	84.010	153,481	159,566
<i>Special Education Cluster:</i>				
Special Education - Grants to States	6BSF	84.027	283,578	288,483
Special Education - Preschool Grants	PGS1	84.173	10,624	10,624
Special Education Cluster Total			<u>294,202</u>	<u>299,107</u>
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	3,751	3,751
State Grants for Innovative Programs	C2S1	84.298	2,639	2,639
Education Technology State Grants	TJS1	84.318	1,299	1,299
Improving Teacher Quality State Grants	TRS1	84.367	59,805	68,940
Total United States Department of Education			<u>515,177</u>	<u>535,302</u>
<b>Total Federal Awards</b>			<u>\$ 705,169</u>	<u>\$ 725,294</u>

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

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE A - BASIS OF ACCOUNTING**

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

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## **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***

To the 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, 2009, which collectively comprise Huron City School District's basic financial statements and have issued our report thereon dated December 4, 2009. 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

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* (Continued)

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2009-001.

We noted certain matters that we reported to the management of the Huron City School District in a separate letter dated December 4, 2009.

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.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
December 4, 2009

# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

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Kentucky Society of Certified Public Accountants

## **Report on Compliance with Requirements Applicable to its Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

To the 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, 2009. 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, 2009.

Board of Education  
Huron City School District

Report on Compliance with Requirements Applicable to its Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133* (Continued)

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.

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 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.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
December 4, 2009

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other Significant Control Deficiency(ies) reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiency(ies) in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	<i>Special Education Cluster: CFDA 84.027 – Special Education – Grants to States and CFDA – 84.173 – Special Education – Preschool Grants</i>
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance Citation – Ohio Revised Code Section 5705.41 (B)**

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

As of June 30, 2009 District expenditures exceeded appropriations at the fund level in the following funds, Auxiliary Services, District Agency, Improving Teaching Quality, Management Information Systems, Permanent Improvement and Professional Development.

This could allow deficit spending to occur.

We recommend the District adopt appropriations prior to authorizing the expenditures of all funds. All appropriation amendments should be filed with the County Auditor on a timely basis.

**District’s Response:**

The 2009 expenditures used by the auditors for the Permanent Improvement Fund appear to have included the Initial Encumbrance from 2008. For that reason it appears to be counted twice. The Fund, less encumbrances, ended the year with a positive balance of \$88,000 and was never in danger of being a deficit. The District has a policy in place and files three times in the Fiscal Year all appropriate amendments needed in the Appropriation process. In addition, the Board holds its regular meeting in June 11 days prior to year end so it is necessary to estimate expenditures and encumbrances during that period. It appears we under estimated those amounts.

**Auditor’s Response:**

Below is our calculation for the Permanent Improvement Fund identified in the above finding, which indicates expenditures in excess of appropriations. The numbers used in the calculation were from the District’s audited accounting data and from the District’s approved certificates of estimated resources and appropriation certificates.

Fund	Appropriations	Actual Expenditures	Outstanding Encumbrances	Variance
	A	B	C	D = A – (B + C)
Permanent Improvement	2,567,967	2,290,309	436,404	(158,746)

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None.

# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report on Applying Agreed-upon Procedures

To the Board of Education  
Huron City School District  
Erie County  
712 Cleveland Road East  
Huron, Ohio 44839

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 20, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - 1) A statement prohibiting harassment, intimidations, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Revised Code Section 3313.666;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that the school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3313.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. We read the policy, noting it did not include the following requirements from Ohio Revised Code Section 3313.666(B)
  - 1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - 2) A procedure for documenting any prohibited incident that is reported;

Independent Auditor's Report on Applying Agreed-Upon Procedures (Continued)

- 3) A procedure for responding to and investigating any reported incident;
- 4) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 5) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment of the Constitution of the United States;

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

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

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*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
December 4, 2009



**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  
FEBRUARY 2, 2010**