

HURON CITY SCHOOL DISTRICT
ERIE COUNTY, OHIO

*FINANCIAL STATEMENTS
(AUDITED)*

*FOR THE FISCAL YEAR ENDED
June 30, 1999*

TRIMBLE, JULIAN & GRUBE, INC.

TJG

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

***FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
June 30, 1999***

DONALD BREON, TREASURER

HURON CITY SCHOOL DISTRICT
ERIE COUNTY, OHIO

TABLE OF CONTENTS

Index of Funds	1
Independent Auditor's Report	2-3
Combined Statement Fund Balances - All Fund Types - Cash Basis	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types and Similar Fiduciary Funds	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary Fund Type and Similar Fiduciary Funds	6
Combined Statement of Cash Receipts, Cash Disbursements and Encumbrances Compared with Expenditure Authority - Budget and Actual	7
Notes to the Financial Statements	8-25
Report on Compliance and on Internal Control Required by <i>Governmental Auditing Standards</i>	26-27
Schedule of Findings	28-30

HURON CITY SCHOOL DISTRICT
ERIE COUNTY, OHIO

INDEX OF FUNDS

GOVERNMENTAL FUNDS TYPES:

General Fund Type:

General Fund

Special Revenue Fund Types:

Public School Support Fund
Venture Capital Fund
District Managed Student Activity (Athletic) Fund
Auxiliary Services Fund
Teacher Development Program Fund
Management Information System Fund
Public School Preschool Fund
Textbooks/Instructional Materials Fund
School Net Professional Development Fund
Library Automation Fund
Special Education Grants to States (Title VI-B) Fund
Title I Fund
Innovative Educational Program Strategies (Title VI) Fund
Special Education Preschool Grants Fund
School to Work Grant Fund
Library Services State Grant Fund

Debt Service Fund Type:

Debt Service Fund

Capital Project Fund Type:

Permanent Improvement Fund
School Net Plus Fund

PROPRIETARY FUND TYPES:

Enterprise Fund Type:

Food Services Fund

FIDUCIARY FUND TYPES:

Expendable Trust Fund Type:

Special Trust Fund

Agency Fund Type:

Public Library Fund
Student Managed Activity Fund



STATE OF OHIO
OFFICE OF THE AUDITOR

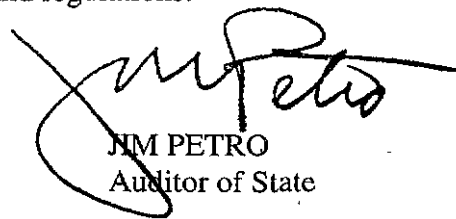
JIM PETRO, AUDITOR OF STATE

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

Board of Education
Huron City School District
Huron, Ohio

We have reviewed the Independent Auditor's Report of the Huron City School District, Erie County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 1998 to June 30, 1999. 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.


JIM PETRO
Auditor of State

January 7, 2000

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD
SUITE B
WORTHINGTON, OHIO 43085

TELEPHONE 614.846.1899
FACSIMILE 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Huron City School District, Erie County, (the "District") as of and for the fiscal year ended June 30, 1999. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code §117-2-01 requires the District to prepare its financial report in accordance with generally accepted accounting principles. However, as described in Note 1, the District prepares its financial report on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the Huron City School District, as of June 30, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

Independent Auditor's Report
Huron City School District
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the management, Board of Huron City School District, Erie County, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
September 1, 1999

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

**COMBINED STATEMENT OF FUND BALANCES
ALL FUND TYPES - CASH BASIS**

June 30, 1999

<u>Cash and Investments</u>	<u>1999</u>
Cash	\$ (3,562)
Investments	1,298,817
Restricted:	
Investments	<u>123,009</u>
Total Cash	<u>\$ 1,418,264</u>
<u>Fund Balances</u>	
<u>Governmental Funds:</u>	
General Fund	\$ 842,613
Special Revenue Funds	164,002
Capital Projects Funds	<u>342,669</u>
Total Governmental Funds	<u>1,349,284</u>
<u>Proprietary Fund:</u>	
Enterprise Fund	<u>4,253</u>
<u>Fiduciary Funds:</u>	
Expendable Trust Funds	38,574
Agency Funds	<u>26,153</u>
Total Fiduciary Funds	<u>64,727</u>
Total Fund Balances	<u>\$ 1,418,264</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HURON CITY SCHOOL DISTRICT
ERIE COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH FUND
BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash receipts:					
From local sources:					
Taxes	\$ 6,886,788		\$ 402,951		\$ 7,289,739
Earnings on investments	184,606	\$ 827		\$ 1,600	187,033
Rent	111,466				111,466
Extracurricular activities		144,541			144,541
Contributions		62,988		19,564	82,552
Other local revenue	109,260	1,878	3,380		114,518
Intergovernmental - State	2,633,446	270,156	78,273		2,981,875
Intergovernmental - Federal		184,299			184,299
Total cash receipts	9,925,566	664,689	484,604	21,164	11,096,023
Cash disbursements:					
Current:					
Instruction:					
Regular	4,433,724	1,714	55,369	8,526	4,499,333
Special	1,005,844	142,904			1,148,748
Other	27,446	30,050			57,496
Support Services:					
Pupil	369,175	29,957			399,132
Instructional staff	222,192	72,208			294,400
Board of Education	14,728				14,728
Administration	839,533	23,384			862,917
Fiscal services	269,128		6,719		275,847
Business	71,555				71,555
Operations and maintenance	898,328	841	184,928		1,084,097
Pupil transportation	413,028	588	12,581		426,197
Central	4,231	39,239	21,604		65,074
Community services		87,980		9,260	97,240
Extracurricular activities	218,060	195,184			413,244
Facilities services	211,126		122,475		333,601
Debt service:					
Principal retirement	1,990,000				1,990,000
Interest and fiscal charges	101,012				101,012
Total cash disbursements	11,089,110	624,049	403,676	17,786	12,134,621
Total cash receipts over/ (under) cash disbursements	(1,163,544)	40,640	80,928	3,378	(1,038,598)
Other financing receipts/(disbursements):					
Transfers-in	1,110	3,315			4,425
Transfers-out	(25,044)	(57)		(4,424)	(29,525)
Advances-in	3,547				3,547
Advances-out		(3,304)			(3,304)
Proceeds from sale of notes	1,581,000				1,581,000
Refund of prior year expenditures	7,539				7,539
Refund of prior year receipts		(94)			(94)
Total other financing receipts/(disbursements)	1,568,152	(140)		(4,424)	1,563,588
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	404,608	40,500	80,928	(1,046)	524,990
Cash fund balances, July 1, 1998	438,005	123,502	261,741	39,620	862,868
Cash fund balances, June 30, 1999	\$ 842,613	\$ 164,002	\$ 342,669	\$ 38,574	\$ 1,387,858

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Sales/charges for services	\$ 293,548		\$ 293,548
Extracurricular activities		\$ 61,021	61,021
Total operating cash receipts	<u>293,548</u>	<u>61,021</u>	<u>354,569</u>
Operating cash disbursements:			
Personal services	121,015	1,334	122,349
Employees' retirement and insurance	81,105	18	81,123
Purchased services	10,215	54,736	64,951
Supplies and material	159,559	37,632	197,191
Extracurricular expense		181,117	181,117
Total operating cash disbursements	<u>371,894</u>	<u>274,837</u>	<u>646,731</u>
Operating loss	<u>(78,346)</u>	<u>(213,816)</u>	<u>(292,162)</u>
Nonoperating cash receipts:			
Local taxes		161,187	161,187
Operating grants	2,788	18,040	20,828
Federal commodities	52,845	1,532	54,377
Miscellaneous	694	23,886	24,580
Total nonoperating cash receipts	<u>56,327</u>	<u>204,645</u>	<u>260,972</u>
Excess of receipts(under) disbursements before interfund transfers and advances	<u>(22,019)</u>	<u>(9,171)</u>	<u>(31,190)</u>
Transfers-in	25,000	100	25,100
Advances-out		(243)	(243)
Total transfers and advances	<u>25,000</u>	<u>(143)</u>	<u>24,857</u>
Net receipts over/(under) disbursements after interfund transfers and advances	2,981	(9,314)	(6,333)
Cash fund balances, July 1, 1998	<u>1,272</u>	<u>35,467</u>	<u>36,739</u>
Cash fund balances, June 30, 1999	<u>\$ 4,253</u>	<u>\$ 26,153</u>	<u>\$ 30,406</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HURON CITY SCHOOL DISTRICT
 ERIE COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND ENCUMBRANCES COMPARED WITH EXPENDITURE
 AUTHORITY - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 1999

Fund Types	Receipts			Disbursements					Variance Favorable (Unfavorable)	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	1999 Appropriations	Total	Actual 1999 Disbursements	Encumbrances Outstanding at 6/30/99		Total
Governmental:										
General	\$ 11,398,196	\$ 11,518,762	\$ 120,566	\$ 13,474	\$ 11,562,584	\$ 11,576,058	\$ 11,114,154	\$ 270,509	\$ 11,384,663	\$ 191,395
Special Revenue	652,751	668,004	15,253	15,393	700,610	716,003	627,504	36,498	664,002	52,001
Debt Service	1,995,000		(1,995,000)							
Capital Projects	474,813	484,604	9,791	106,432	639,502	745,934	403,676	329,485	733,161	12,773
Proprietary:										
Enterprise	379,744	374,875	(4,869)		379,550	379,550	371,894		371,894	7,656
Fiduciary:										
Agency	261,227	265,766	4,539	4,956	286,520	291,486	275,080	1,356	276,436	15,050
Expendable Trust	7,000	21,164	14,164	1,889	28,454	30,343	22,210	1,058	23,268	7,075
Total (Memorandum Only)	\$ 15,168,731	\$ 13,333,175	\$ (1,835,556)	\$ 142,154	\$ 13,597,220	\$ 13,739,374	\$ 12,814,518	\$ 638,906	\$ 13,453,424	\$ 285,950

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The District operates 3 instructional facilities staffed by 56 classified employees and 105 certified teaching personnel who provide educational services to 1,551 students from grades K through 12. The District ranks as the 364th largest by total enrollment among the 612 districts in the State.

B. Reporting Entity

The reporting entity consists of the primary government and entities which are not legally separate from the primary government. The District is a primary government and constitutes the entire reporting entity.

C. Funds Reported

General Fund: The general fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds: Special revenue funds account for the proceeds of specific revenue sources (other than Capital Projects or trust funds) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds: Capital Projects funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Enterprise Funds: Enterprise funds account for operations which are financed and operated in a manner similar to private business enterprises and for which the District intends to support a material portion of the operating costs with user charges.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expendable Trust Funds: Expendable trust funds account for assets held in trust where both principal and interest can be spent.

Agency Funds: Agency funds are used to account for custodial funds held by the District acting as the agent for another government, organization, individual, or fund.

D. Basis of Accounting

Ohio Administrative Code §117-2-01 requires the District to prepare its financial statements in accordance with generally accepted accounting principles. The District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The District recognizes receipts when cash is received rather than when earned and recognizes disbursements when cash is paid rather than when a liability is incurred. Budgetary presentation reports budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosures of material matters, as formerly prescribed or permitted by the Auditor of State.

E. Budgetary Process

1. Budget

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. All budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

2. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

3. Estimated Resources

By 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999 and do not include the unencumbered fund balances as of July 1, 1998. However, those fund balances are available for appropriations.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations, alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

5. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. In the budgetary financial statements, encumbrances are included in budgetary expenditures. The budgetary fund balance is cash minus outstanding encumbrances.

6. Lapsing of Appropriations

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

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

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

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

Protection of the 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 moneys deposited with the institution.

State statute permits interim monies to 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;

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

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

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

During fiscal year 1999, the District's investments were limited to overnight repurchase agreements, certificates of deposit, STAR Ohio, and fixed rate investment contracts (associated with the School District Spending Reserve Program sponsored by the State of Ohio). During the fiscal year, all investments of the District had a maturity of two years or less.

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

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

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The carrying amount of cash and investments at June 30, 1999 was as follows:

Deposits:	
Demand deposits	\$ (3,562)
Investments:	
Certificate of Deposit	10,000
STAR Ohio	1,352,886
Repurchase Agreement	<u>58,940</u>
Total deposits and investments	<u>\$1,418,264</u>

A. Deposits

At year end, the carrying amount of the District's deposits was \$3,562 as shown above and the bank balance was \$174,886. Of the bank balance:

1. \$110,000 was covered by federal depository insurance.
2. \$64,886 was uninsured and uncollateralized.

Although all statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Investments are usually categorized into three categories of credit risk:

- Category 1: Securities held by the District or its agent in the District's name.
- Category 2: Securities held by the counter party's trust department or agency in the District's name.
- Category 3: Securities held by the counter party, or by its trust department or agent but not in the District's name.

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

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

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The District's investment in STAR Ohio, an investment pool operation by the Ohio State Treasurer is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk <u>3</u>	Fair Value	Market Value
Repurchase Agreements	\$58,940	\$ 58,940	\$ 58,946
STAR Ohio	_____	<u>1,352,886</u>	<u>1,352,886</u>
Total Investments	<u>\$58,940</u>	<u>\$1,411,826</u>	<u>\$1,411,832</u>

C. Restricted Assets

Restricted assets in the general fund represent investments set aside to establish a budget stabilization reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. A schedule of statutory reserves is presented in Note 12.

NOTE 3 - DEBT SERVICE

Debt outstanding at June 30, 1999 was as follows:

	Interest <u>Rates</u>	Maturity <u>Date</u>	Notes Outstanding <u>July 1, 1998</u>	Notes Retired <u>in 1999</u>	Notes Outstanding <u>June 30, 1999</u>
Energy Conservation Notes	5.10%	12/4/04	\$490,000	\$ 70,000	\$420,000
Spending Reserve Notes	4.12%	12/31/98	<u>339,000</u>	<u>339,000</u>	<u>---</u>
			<u>\$829,000</u>	<u>\$409,000</u>	<u>\$420,000</u>

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

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

NOTE 3 - DEBT SERVICE - (Continued)

The Energy Conservation Improvement Notes were issued May 1998 to provide funds to refinance the outstanding principal of the Energy Conservation Notes issued June 1995. The original notes were issued to pay costs of installations, modifications and remodeling of school buildings to conserve energy, under authority of and pursuant to the laws of the State of Ohio, particularly §3313.372, Ohio Revised Code, the approval of the State Department of Education, and a resolution adopted by the Board of Education. The original notes were refinanced to take advantage of reduced interest rates since the original issue.

The Spending Reserve Note was issued in June 1998, in anticipation of the collection of property taxes to be included in the next settlement under §321.24(C) & (D), Ohio Revised Code, which are to be received by the Board of Education of the District during the remainder of calendar year 1999, under authority of and pursuant to the general laws of the State of Ohio, particularly §133.301, Ohio Revised Code, and a resolution duly adopted by the Board of Education.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Energy Notes</u>
2000	\$ 70,000	\$19,689	\$ 89,689
2001	70,000	16,070	86,070
2002	70,000	12,500	82,500
2003	70,000	8,930	78,930
2004	70,000	5,370	75,370
2005	<u>70,000</u>	<u>1,790</u>	<u>71,790</u>
Total	<u>\$420,000</u>	<u>\$64,349</u>	<u>\$484,349</u>

The District issued \$1,581,000 tax anticipation notes on July 1, 1998 to meet cash flow needs. The notes matured and were paid on June 30, 1999. No amount was outstanding at June 30, 1999.

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

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

NOTE 4 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, are levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Erie County. The County Auditor periodically advances to the District its portion of the taxes collected.

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the District.

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

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

NOTE 5 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$163,619, \$145,040, and \$155,900, respectively.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

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

NOTE 5 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$649,914, \$641,071, and \$623,900, respectively.

NOTE 6 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$371,380 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219.224 million and STRS had 91,999 eligible benefit recipients.

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

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

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

NOTE 6 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$21,939 during the 1999 fiscal year.

NOTE 7 - RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

NOTE 8 - PUBLIC ENTITY RISK POOLS

A. Worker's Compensation

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

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

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

NOTE 8 - PUBLIC ENTITY RISK POOLS - (Continued)

B. Health Benefits

The Huron-Erie School Employees Insurance Association is a shared risk pool, with participants from Erie and Huron Counties. The Association is governed by an assembly which consists of one representative from each participant. The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Association. All Association revenues are generated from charges for services. Financial information can be obtained by writing to The Erie-Ottawa County Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

NOTE 9 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$1,947,547 of school foundation support for its general fund.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the District to borrow against amounts anticipated to be collected from tangible personal property taxes after the District's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the District did not borrow under this program; however, the District repaid \$339,000 borrowed in fiscal year 1998. Historically, the District has relied on this borrowing to meet its cash flow needs at the end of each fiscal year. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

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

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

NOTE 9 - STATE SCHOOL FUNDING DECISION - (Continued)

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

NOTE 10 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

As of June 30, 1999, the District has inventoried computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting District operations.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

The Ohio Department of Education, Division of Information Management Services, State Software Development Team has addressed the status of the OECN State Software in regards to the compliance requirements for the Year 2000. Their assessment is as follows:

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.
- The accounting software supported with the OECN State Software is compliant with the Year 2000 beginning with the June 1998 release of USAS V6.1.

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

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

NOTE 10 - YEAR 2000 ISSUE - (Continued)

- The education management information system software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

The District owns and operates the personal computers and other hardware used to enter data, initiate processing commands and print reports for the financial reporting, payroll and employee benefits, and educational statistics reporting systems. The District currently is assessing the changes needed to the hardware. Such hardware may have to be remediated and tested and validated. The District has replaced computer hardware in the Treasurer's office.

The District is currently assessing the changes needed in the heating system. The system may have to be remediated and tested and validated. The District had not committed financial resources to remediation of the heating system as of June 30, 1999.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Erie County collects property taxes for distribution to the District. Erie County is responsible for remediating its tax collection system.

The County is solely responsible for any costs associated with the tax collection system project. The State is solely responsible for any costs associated with the Foundation processing and EMIS systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

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

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

NOTE 11 - COMPLIANCE

In accordance with Ohio Revised Code §5705.41, the following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 1999:

<u>Fund Type/Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund:			
Building Acquisition and Construction	---	\$222,039	\$222,039
Special Revenue Fund:			
Preschool Fund			
Other Instruction	\$40,424	45,397	4,973
Capital Projects Fund:			
Permanent Improvement			
Building Acquisition and Construction	---	393,393	393,393
Expendable Trust Funds:			
Contributed Supplemental Salaries			
Transfers Out	---	3,266	3,266
Donations for Board of Education			
Transfers Out	---	1,110	1,110

NOTE 12 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$53,180	\$ 53,180
Current year set-aside requirement	139,657	139,657	69,829	349,143
Additional designated by Board	---	---	526	526
Qualifying disbursements	<u>(139,657)</u>	<u>(139,657)</u>	<u>---</u>	<u>(279,314)</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$123,535</u>	<u>\$123,535</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$123,535</u>	<u>\$123,535</u>

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

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

NOTE 12 - STATUTORY RESERVES - (Continued)

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$123,009</u>
Total restricted assets	<u>\$123,009</u>

NOTE 13 - SUBSEQUENT EVENT

Subsequent to the balance sheet date, on November 2, 1999 voters rejected a tax levy. The District intends to include a tax levy on the February 2000 ballot.

On September 1, 1999, the District issued Library Improvement Bonds in the amount of \$4,299,989 on behalf of the Huron Public Library.

NOTE 14 - LITIGATION

The District is not involved in litigation as either plaintiff or defendant.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1 445 WORTHINGTON WOODS BOULEVARD
SUITE B
WORTHINGTON, OHIO 43085

TELEPHONE 614.846.1899
FACSIMILE 614.846.2799

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

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

We have audited the financial statements of Huron City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated September 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-44131-001 and 1999-44131-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Huron City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Huron City School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-44131-001 and 1999-44131-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Huron City School District in a separate letter dated September 1, 1999.

This report is intended for the information and use of the management and Board of Education of Huron City School District, Erie County, and is not intended to be and should not be used by anyone other than these specified parties.



Trimble, Julian & Grube, Inc.
September 1, 1999

SCHEDULE OF FINDINGS

Huron City School District
Erie County
June 30, 1999

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

Finding Number	1999-44131-001
----------------	----------------

Ohio Revised Code Section 5705.41 requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances in excess of appropriations in the following funds:

<u>Fund Type/ Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>General Fund</u>			
Building Acquisition and Construction	\$ - - -	\$222,039	\$222,039
<u>Special Revenue Fund</u>			
Preschool Fund Other Instruction	\$40,424	\$ 45,397	\$ 4,973
<u>Capital Projects Fund</u>			
Permanent Improvement Fund Building Acquisition and Construction	\$ - - -	\$393,393	\$393,393
<u>Expendable Trust Funds</u>			
Contributed Supplemental Salaries Fund Transfers Out	\$ - - -	\$ 3,266	\$ 3,266
Donations for Board of Education Transfers Out	\$ - - -	\$ 1,110	\$ 1,110

SCHEDULE OF FINDINGS

Huron City School District
Erie County
June 30, 1999

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	1999-44131-001
----------------	----------------

With expenditures plus encumbrances exceeding appropriations, the District is unlawfully expending monies that have not been appropriated.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continued basis and making appropriation amendments as necessary.

Finding Number	1999-44131-002
----------------	----------------

Ohio Administrative Code §117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as described in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles (GAAP).

The accompanying financial statements omit assets, liabilities, and fund equities, and disclosures that, while material, cannot be determined at this time. The General Purpose Financial Statement provides the reader with more in depth financial information and analysis. The District can be fined and various other administrative remedies may be taken against the District.

We recommend that the District file their financial report in accordance with GAAP.

The District understands this requirement but feels they do not have the resources to convert to GAAP.

SCHEDULE OF FINDINGS

Huron City School District
Erie County
June 30, 1999

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

Finding Number	1999-44131-003
----------------	----------------

Policies and procedures should be approved for consistent recording of food service receipts.

It was noted during the audit that the daily cash receipts worksheets varied from the deposits and the reports sent to the Ohio Department of Education. The variances noted were not material to the District's financial statements; however, variances could be material in the future.

Without policies and procedures for recording of receipts, variances could continue to increase and theft could occur without being discovered in a timely manner.

We recommend that the District approve policies and procedures for documenting food service receipts. Moreover, training should be held for all food service employees who are receipting or counting money. The Board should consider requiring surprise counts of cash change drawers and random recalculation of daily worksheets. The Board should also approve a policy for correction of errors made by cashiers.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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.

By: _____

Susan Babbitt

Clerk of the Bureau

Date: _____

JAN 18 2000