

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

***FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
June 30, 2000***

**DONALD BREON, TREASURER**



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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

We have reviewed the independent auditor's report of the Huron City School District, Erie County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 1999 through June 30, 2000. 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 4, 2000

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

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## 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, 2000. 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, 2000, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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.  
October 21, 2000

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

**COMBINED STATEMENT OF FUND BALANCES  
ALL FUND TYPES - CASH BASIS  
JUNE 30, 2000**

<u>Cash and Investments</u>	<u>2000</u>
Cash	\$ 127,241
Investments	<u>1,666,679</u>
Total Cash	<u>\$ 1,793,920</u>
 <u>Fund Balances</u>	
<u>Governmental Funds:</u>	
General Fund	\$ 1,313,145
Special Revenue Funds	177,403
Debt Service Fund	3,832
Capital Projects Funds	<u>219,710</u>
Total Governmental Funds	<u>1,714,090</u>
 <u>Proprietary Fund:</u>	
Enterprise Fund	<u>13,407</u>
 <u>Fiduciary Funds:</u>	
Expendable Trust Funds	35,303
Agency Funds	<u>31,120</u>
Total Fiduciary Funds	<u>66,423</u>
Total Fund Balances	<u>\$ 1,793,920</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 FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash receipts:</b>						
From local sources:						
Taxes	\$ 7,055,505		\$ 307,303	\$ 414,784		\$ 7,777,592
Earnings on investments	119,583	\$ 1,878	66,073		\$ 1,858	189,392
Rent	111,992					111,992
Extracurricular activities		114,398				114,398
Contributions					11,976	11,976
Other local revenue	79,276	54,468	10,357			144,101
Intergovernmental - Intermediate		40,000	24,645			64,645
Intergovernmental - State	2,593,891	244,950	35,657	68,999		2,943,497
Intergovernmental - Federal		245,372				245,372
Total cash receipts	<u>9,960,247</u>	<u>701,066</u>	<u>444,035</u>	<u>483,783</u>	<u>13,834</u>	<u>11,602,965</u>
<b>Cash disbursements:</b>						
Current:						
Instruction:						
Regular	4,630,375	109,889		102,229	10,622	4,853,115
Special	989,089	113,993				1,103,082
Other	34,354	57,620				91,974
Support Services:						
Pupil	398,073	38,762				436,835
Instructional staff	255,747	64,777				320,524
Board of Education	15,697					15,697
Administration	839,521	15,149				854,670
Fiscal services	288,488		240	6,974		295,702
Business	76,630					76,630
Operations and maintenance	986,386	138		117,776		1,104,300
Pupil transportation	402,910	574				403,484
Central	598	45,379		36,346		82,323
Community services		87,269			6,470	93,739
Extracurricular activities	234,402	152,041				386,443
Capital Outlay	265,929			343,417		609,346
Debt service:						
Principal retirement	70,000		4,300,000			4,370,000
Interest and fiscal charges	19,635		439,963			459,598
Total cash disbursements	<u>9,507,834</u>	<u>685,591</u>	<u>4,740,203</u>	<u>606,742</u>	<u>17,092</u>	<u>15,557,462</u>
Total cash receipts over/ (under) cash disbursements	<u>452,413</u>	<u>15,475</u>	<u>(4,296,168)</u>	<u>(122,959)</u>	<u>(3,258)</u>	<u>(3,954,497)</u>
<b>Other financing receipts/(disbursements):</b>						
Transfers-in	82,847	13				82,860
Transfers-out	(82,847)				(13)	(82,860)
Proceeds from sale of notes			4,300,000			4,300,000
Proceeds from sale of bonds			4,300,000			4,300,000
Passthrough payments to library			(4,300,000)			(4,300,000)
Refund of prior year expenditures	18,896	1,010				19,906
Refund of prior year receipts	(1,027)	(3,097)				(4,124)
Sale and loss of assets	250					250
Total other financing receipts/(disbursements)	<u>18,119</u>	<u>(2,074)</u>	<u>4,300,000</u>	<u>-</u>	<u>(13)</u>	<u>4,316,032</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	470,532	13,401	3,832	(122,959)	(3,271)	361,535
Cash fund balances, July 1, 1999	<u>842,613</u>	<u>164,002</u>	<u>-</u>	<u>342,669</u>	<u>38,574</u>	<u>1,387,858</u>
Cash fund balances, June 30, 2000	<u>\$ 1,313,145</u>	<u>\$ 177,403</u>	<u>\$ 3,832</u>	<u>\$ 219,710</u>	<u>\$ 35,303</u>	<u>\$ 1,749,393</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 - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Agency	(Memorandum Only)
Operating cash receipts:			
Sales/charges for services	\$ 314,928	_____	\$ 314,928
Total operating cash receipts	<u>314,928</u>	<u>-</u>	<u>314,928</u>
Operating cash disbursements:			
Personal services	125,866		125,866
Employees' retirement and insurance	75,575		75,575
Purchased services	12,868		12,868
Supplies and material	174,118		174,118
Other	<u>1,400</u>	_____	<u>1,400</u>
Total operating cash disbursements	<u>389,827</u>	<u>-</u>	<u>389,827</u>
Operating loss	<u>(74,899)</u>	<u>-</u>	<u>(74,899)</u>
Nonoperating cash receipts:			
Operating grants	3,583		3,583
Federal commodities	78,661		78,661
Extracurricular activities revenue		\$ 91,260	91,260
Extracurricular activities expenditures		(86,293)	(86,293)
Miscellaneous	<u>1,809</u>	_____	<u>1,809</u>
Total nonoperating cash receipts	<u>84,053</u>	<u>4,967</u>	<u>89,020</u>
Excess of receipts (over) disbursements	9,154	4,967	14,121
Cash fund balances, July 1, 1999	<u>4,253</u>	<u>26,153</u>	<u>30,406</u>
Cash fund balances, June 30, 2000	<u>\$ 13,407</u>	<u>\$ 31,120</u>	<u>\$ 44,527</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 FISCAL YEAR ENDED JUNE 30, 2000**

Fund Types	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	Fiscal Year 2000 Budget	Total Estimated Resources	Actual 2000 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	Fiscal Year 2000 Appropriations	Total		Actual 2000 Disbursements	Encumbrances Outstanding at 6/30/00	Total
<b>Governmental:</b>												
General	\$ 572,106	\$ 9,672,417	\$ 10,244,523	\$ 10,062,240	\$ (182,283)	\$ 270,509	\$ 9,839,641	\$ 10,110,150	\$ 9,591,708	\$ 268,895	\$ 9,860,603	\$ 249,547
Special Revenue	127,503	748,111	875,614	702,089	(173,525)	36,498	800,351	836,849	688,688	14,544	703,232	133,617
Debt Service	-	9,044,035	9,044,035	9,044,035	-	-	9,040,203	9,040,203	9,040,203	-	9,040,203	-
Capital Projects	13,183	474,605	487,788	483,783	(4,005)	329,485	456,167	785,652	606,742	157,553	764,295	21,357
<b>Proprietary:</b>												
Enterprise	4,254	397,170	401,424	398,981	(2,443)	-	404,955	404,955	389,827	298	390,125	14,830
<b>Fiduciary:</b>												
Expendable Trust	37,515	7,000	44,515	13,834	(30,681)	1,058	17,991	19,049	17,105	587	17,692	1,357
Agency	24,797	100,000	124,797	91,260	(33,537)	1,356	98,753	100,109	86,293	1,024	87,317	12,792
<b>Total</b>	<b>\$ 779,358</b>	<b>\$ 20,443,338</b>	<b>\$ 21,222,696</b>	<b>\$ 20,796,222</b>	<b>\$ (426,474)</b>	<b>\$ 638,906</b>	<b>\$ 20,658,061</b>	<b>\$ 21,296,967</b>	<b>\$ 20,420,566</b>	<b>\$ 442,901</b>	<b>\$ 20,863,467</b>	<b>\$ 433,500</b>

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 FISCAL YEAR ENDED JUNE 30, 2000**

**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 54 classified employees and 106 certified teaching personnel who provide educational services to 1,592 students from grades K through 12. The District ranks as the 353<sup>rd</sup> 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.

Huron Public Library

The District is not involved in budgeting or management of the Huron Public Library facilities, nor does it subsidize or finance the operation of the library. The selection of directors and budget approval is conducted merely to comply with state code requirements.

**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.

**Debt Service Fund:** The debt service fund is used to accumulate resources for the payment of indebtedness.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

**Enterprise Fund:** The Enterprise fund accounts 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.

**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 FISCAL YEAR ENDED JUNE 30, 2000**

**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 2000 and do not include the unencumbered fund balances as of July 1, 1999. However, those fund balances are available for appropriations.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**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.

**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 FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - 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 FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - 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 2000, the District's investments were limited to overnight repurchase agreements, certificates of deposit and STAR Ohio. During the fiscal year, all investments of the District had a maturity of two years or less. 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 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 share price which is the price the investment could be sold for on June 30, 2000.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - CASH AND INVESTMENTS - (Continued)**

The carrying amount of cash and investments at June 30, 2000 was as follows:

Deposits:	
Demand deposits	<u>\$ 127,241</u>
Investments:	
STAR Ohio	1,492,278
Repurchase Agreement	<u>174,401</u>
Total Investments	<u>1,666,679</u>
Total deposits and investments	<u>\$1,793,920</u>

**A. Deposits**

At year end, the carrying amount of the District's deposits was \$127,241 as shown above and the bank balance was \$333,741. Of the bank balance:

1. \$100,070 was covered by federal depository insurance.
2. \$233,671 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 FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - 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	\$174,401	\$ 174,401	\$ 174,401
STAR Ohio	_____	<u>1,492,278</u>	<u>1,492,278</u>
Total Investments	<u>\$174,401</u>	<u>\$1,666,679</u>	<u>\$1,666,679</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 11.

**NOTE 3 - DEBT SERVICE**

Debt issued during fiscal year 2000 and outstanding at June 30, 2000, was as follows:

	Interest Rates	Maturity Date	Outstanding July 1, 1999	Issued in 2000	Retired in 2000	Outstanding June 30, 2000
Public Library Improvement G.O. Bonds	3.65%	12/01/25	\$ 0	\$4,300,000	\$ 0	\$4,300,000
Public Library Bond Anticipation Notes	5.00%	12/01/99	0	4,300,000	4,300,000	0
Energy Conservation Notes	5.10%	12/04/04	<u>420,000</u>	<u>0</u>	<u>70,000</u>	<u>350,000</u>
Total			<u>\$420,000</u>	<u>\$8,600,000</u>	<u>\$4,370,000</u>	<u>\$4,650,000</u>

Library Improvement Bond Anticipation Notes for \$4,300,000 were issued during fiscal year 2000. The notes matured and were paid in fiscal 2000 and no amount was outstanding at June 30, 2000.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 3 - DEBT SERVICE - (Continued)**

During fiscal year 1999 a levy was passed in the District's name for the local 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, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The source of payment is derived from a current bonded debt levy.

The Energy Conservation 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.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 135,000	\$ 238,176	\$ 373,176
2002	175,000	231,228	406,228
2003	175,000	223,301	398,301
2004	180,000	215,118	395,118
2005	185,000	206,586	391,586
2006 - 2010	420,000	1,183,834	1,603,834
2011 - 2015	770,000	825,267	1,595,267
2016 - 2020	1,000,000	592,979	1,592,979
2021 - 2025	1,305,000	277,171	1,582,171
2026	<u>305,000</u>	<u>8,578</u>	<u>313,578</u>
Total	<u>\$4,650,000</u>	<u>\$4,002,238</u>	<u>\$8,652,238</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**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.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 5 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 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, 2000, 1999, and 1998 were \$188,465, \$163,619, and \$145,040, 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.

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, 2000, 1999, and 1998 were \$676,164, \$649,914, and \$641,071, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 6 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 \$386,379 during fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$249.929 million.

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.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. 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 2000, 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 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$96,405 during the 2000 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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 8 - PUBLIC ENTITY RISK POOLS**

**A. Worker's Compensation**

The District participates in the Ohio School Boards Association (OSBA) 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 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.

**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-Huron-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, 2000, the District received \$1,947,547 of school foundation support for its general fund.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the [Ohio] Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTE 10 - COMPLIANCE**

In accordance with Ohio Revised Code §5705.39, the following funds had appropriations in excess of estimated revenues plus available balances for the fiscal year ended June 30, 2000:

<u>Fund Type/Fund</u>	<u>Estimated Revenues Plus Available Balances</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Fund:			
Auxiliary Services	\$101,771	\$135,901	\$34,130
Enterprise Fund:			
Food Service	401,424	404,955	3,531

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 11 - 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, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 0	\$ 0	\$123,535
Current year set-aside requirement	248,542	248,542	82,847
Qualifying disbursements	<u>(355,598)</u>	<u>(402,951)</u>	<u>---</u>
Total	<u>\$(107,056)</u>	<u>\$(154,409)</u>	<u>\$206,382</u>
Balance carried forward to FY 2001	<u>\$ 107,056</u>	<u>\$ 154,409</u>	<u>\$206,382</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future years.

A schedule of the budget stabilization reserve at June 30, 2000 follows:

Amount restricted for budget stabilization	\$205,856
Amount designated for budget stabilization	<u>526</u>
Total budget stabilization reserve	<u>\$206,382</u>

**NOTE 12 - LITIGATION**

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



**HURON CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE <u>OHIO DEPARTMENT OF EDUCATION:</u></b>						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A		\$33,544		\$33,720
(A) (C) National School Lunch Program	10.555	N/A	\$78,661		\$78,661	
<b>Total Nutrition Cluster and Total U. S. Department of Agriculture</b>			<u>78,661</u>	<u>33,544</u>	<u>78,661</u>	<u>33,720</u>
<b>U. S. DEPARTMENT OF LABOR PASSED THROUGH THE <u>OHIO DEPARTMENT OF EDUCATION:</u></b>						
School To Work Passthrough	17.249	N/A	0		4,690	
<b>Total U. S. Department of Labor</b>			<u>0</u>		<u>4,690</u>	
<b>U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE <u>OHIO DEPARTMENT OF EDUCATION:</u></b>						
Title I - Local Educational Agencies	84.010	044131-C1-S1-00	80,542		73,185	
<b>Special Education Cluster:</b>						
(D) Title VI-B Education of the Handicapped Act	84.027	044131-6B-SF-98P	0		5,018	
(D) Title VI-B Education of the Handicapped Act	84.027	044131-6B-SF-99P	92,043		81,569	
<b>Total Title VI-B</b>			<u>92,043</u>		<u>86,587</u>	
(D) Special Education Preschool	84.173	044131-PG-S1-99P	9,464		9,414	
<b>Total Special Education Cluster</b>			<u>101,507</u>		<u>96,001</u>	
Innovative Education Program Strategies - Title VI	84.298	044131-C2-S1-99C	1,126		6,537	
Innovative Education Program Strategies - Title VI	84.298	044131-C2-S1-00	7,417		7,417	
<b>Total Title VI</b>			<u>8,543</u>		<u>13,954</u>	
Title VI-R Classroom Size Reduction Grant	84.340	044131-CR-S1-00	21,605		17,807	
<b>PASSED THROUGH THE <u>ERIE-HURON-OTTAWA EDUCATIONAL SERVICE CENTER:</u></b>						
Safe and Drug-Free Schools Grants	84.186	N/A	6,788		6,788	
Eisenhower Professional Development Grant	84.281	N/A	4,691		4,691	
<b>Total U. S. Department of Education</b>			<u>223,676</u>		<u>212,426</u>	
<b>Total Federal Financial Assistance</b>			<u>\$302,337</u>	<u>\$33,544</u>	<u>\$295,777</u>	<u>\$33,720</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Special Education Grant Cluster" in determining major programs.
- (E) This schedule was prepared on the cash basis of accounting.

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## **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, 2000, and have issued our report thereon dated October 21, 2000. 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 2000-44131-001 and 2000-44131-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of Huron City School District in a separate letter dated October 21, 2000.

### 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 2000-44131-001 and 2000-44131-002.

Board of Education  
Huron City School District

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 October 21, 2000.

This report is intended for the information and use of the management and Board of Education of Huron City School District, Erie County, 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.

Trimble, Julian & Grube, Inc.  
October 21, 2000

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## **Report On Compliance with Requirements Applicable to Its Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

### Compliance

We have audited the compliance of 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 programs for the year ended June 30, 2000. Huron City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Huron City School District's management. Our responsibility is to express an opinion on Huron City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about 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.

Board of Education  
Huron City School District

In our opinion, Huron City School District's complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000.

#### 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 and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

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

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

Trimble, Julian & Grube, Inc.  
October 21, 2000

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY  
JUNE 30, 2000**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**

**HURON CITY SCHOOL DISTRICT**  
**ERIE COUNTY**  
**JUNE 30, 2000**

**1. SUMMARY OF AUDITOR'S RESULTS (Continued)**

<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Nutrition Grant Cluster: Food Distribution, CFDA #10.550, National School Lunch Program, CFDA #10.555; Title I, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

Finding Number	2000-44131-001
----------------	----------------

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 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**  
**OMB CIRCULAR A-133 § .505**

**HURON CITY SCHOOL DISTRICT**  
**ERIE COUNTY**  
**JUNE 30, 2000**

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

Finding Number	2000-44131-002
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Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated revenues plus available balances.

It was noted during the audit that the total appropriations exceeded the total estimated revenues plus available balances for the Auxiliary Services and Food Service funds.

With appropriations exceeding estimated revenues plus available balances, the District is spending monies that are not lawfully appropriated for those purposes and this could cause a fund deficit.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated revenue records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated revenues. In addition, the District should monitor its budgetary process on a regular basis.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**HURON CITY SCHOOL DISTRICT  
 ERIE COUNTY  
 STATUS OF PRIOR AUDIT FINDINGS**

<b><u>NONCOMPLIANCE</u></b>	<b><u>STATUS</u></b>	<b><u>EXPLANATION IF NOT FULLY IMPLEMENTED</u></b>
Section 5705.41 (B), Revised Code, requiring that all expenditures of money must be lawfully appropriated. (1999-44131-001)	Corrected	N/A
Section 117-2-01, Administrative Code, requiring financial statements prepared in conformity with Generally Accepted Accounting Principles (GAAP). (1999-44131-002)	Not Corrected	The District is aware of this requirement but feels this process is not cost effective at present.
<b><u>REPORTABLE CONDITION</u></b>		
The District does not have an effective food service receipt system. (1999-44131-003)	Corrected	N/A



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OFFICE OF THE AUDITOR

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**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  
JANUARY 16, 2001**