



**Auditor of State  
Betty Montgomery**

**Huron City School District  
Erie County, Ohio**

**Fiscal Emergency Termination**

**Local Government Services Section**

**Huron City School District – Erie County**

**Fiscal Emergency Termination**

**Table of Contents**

	Page
Certification.....	1
Report on Termination of the Huron City School District Financial Planning and Supervision Commission	
The Declaration of Fiscal Emergency .....	2
The Financial Accounting and Reporting Systems .....	3
The Fiscal Emergency Conditions.....	12
The Financial Recovery Plan.....	13
The Five Year Forecast .....	14
Conclusion.....	14
Disclaimer.....	15
Appendix A	
Huron City School District Financial Forecast For the Fiscal Years Ending June 30, 2006 through June 30, 2010	

This Page Intentionally Left Blank.



**Auditor of State  
Betty Montgomery**

**CERTIFICATION**

Pursuant to a request to the Auditor of State by the Huron City School District Financial Planning and Supervision Commission, the Auditor of State certifies that the Huron City School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, the objectives of the financial recovery plan are being met, an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code is in the process of being implemented, and it is reasonably expected that this implementation will be completed within two years, and the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the auditor of state and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Huron City School District Financial Planning and Supervision Commission and its role in the operation of the Huron City School District is terminated as of May 24, 2006.

Accordingly, this report is hereby submitted to the Huron City School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Connie L. Ward, Erie County Auditor, and Susan Tave Zelman, State Superintendent of Public Instruction.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 3316.16(E), Revised Code, requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

May 24, 2006

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

At the request of the Financial Planning and Supervision Commission (the Commission) of the Huron City School District (the School District), Erie County, Ohio as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code, should be terminated.

#### **The Declaration of Fiscal Emergency**

The Department of Education declared the Huron City School District, Erie County, to be in a state of Fiscal Caution on January 31, 2004, in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on anticipated deficits for the fiscal years ending June 30, 2004, and 2005.

The Auditor of State declared the Huron City School District in fiscal watch on April 22, 2004. This declaration was based upon a determination by the Department of Education that the District had not provided an acceptable written proposal for correcting the budgetary conditions that prompted the declaration of fiscal caution in order to prevent the School District from experiencing further fiscal difficulties. Upon reviewing the Huron City School District's five-year forecast filed with the Department of Education on December 20, 2003, which included deficits of \$231,000 and \$1,685,000 for the fiscal years ending June 30, 2004 and 2005, respectively, the Auditor of State found the Department of Education's request that the Huron City School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires a board of education of a district declared in fiscal watch to prepare and submit a financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the declaration of fiscal watch is required to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Huron City School District Board of Education in Resolution No. 4758 dated April 30, 2004, acknowledged its inability to develop a financial recovery plan acceptable to the Superintendent of Public Instruction and requested that the District be placed in fiscal emergency. Accordingly, the Auditor of State hereby declared the Huron City School District to be in a state of Fiscal Emergency under Section 3316.03 (B) (2) of the Ohio Revised Code and a financial planning and supervision commission was appointed to oversee the operation of the School District.

#### **Termination of Fiscal Emergency**

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse."

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

#### **The Financial Accounting and Reporting Systems**

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Huron City School District and issued a Report on Accounting Methods, dated September 1, 2005. The report identified areas where the School District's financial accounting and reporting system were not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission includes a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. As part of this determination management is asked to provide a summary of the actions taken to address the issues that were identified in the Report on Accounting Methods and the Auditor of State confirms whether the actions taken by management were sufficient to correct the issues in the Report on Accounting Methods. A summary of the actions taken by management to address those issues is presented below:

#### ***Budgetary Process***

##### **Implemented:**

- *The Treasurer compares appropriations to estimated resources as part of a monthly review; however, this comparison is not documented. The Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Board upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with Ohio Budgetary Law, if adopted.*

The Treasurer now compares the total appropriations amount in the appropriations account summary report to the total estimated revenues plus beginning fund balance of each fund, and indicates in writing on the report whether appropriations are within estimated resources. He also uses the appropriations account summary report to make sure line item appropriations are sufficient for the anticipated expenditures. If appropriations are not sufficient to cover anticipated expenditures, a supplemental appropriation resolution is submitted to the Board for approval.

- *The Board of Education adopts appropriations resolutions based on anticipated amendments to the certificate of estimated resources. Appropriations are limited to the estimated resources as reflected in the certificate in existence when the appropriations are adopted. Appropriations adopted in excess of the certificate of estimated resources do not comply with Section 5705.39, Revised Code. The Treasurer should obtain an amended certificate for increases in estimated revenues before the Board of Education appropriates the increases in estimated revenues.*

During fiscal year 2006, there has not yet been a need to request an amended certificate because of an increase or decrease in estimated resources and the new Treasurer has not yet had to make any amendments to appropriations. Once the need for an amendment arises, the Treasurer will submit a request to the county auditor for a new amended certificate, after which a supplemental appropriation resolution will be presented to the Board of Education for approval.

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

- *Section 5705.41, R.C. states that no subdivision or taxing unit shall make an expenditure of money unless it has been appropriated. At June 30, 2004, actual expenditures exceeded appropriations in the bond retirement, student managed activities, auxiliary services, management information system, Ohio reads, chapter 2 consolidation federal programs, and reducing class size funds. The Treasurer is responsible for monitoring appropriations and expenditures to ensure that actual expenditures, including encumbrances, do not exceed appropriations. The Treasurer should review appropriations and expenditures and, if appropriations are not sufficient to cover anticipated expenditures, a supplemental appropriations request should be presented to the Board for consideration or the proposed encumbrance/expenditure should be denied.*

At June 30, 2005, expenditures plus encumbrances did not exceed appropriations in any fund. The Treasurer now reviews the appropriation account summary report before obligations are encumbered to ensure that there are sufficient appropriations for that particular line item. When a requisition is given to the Treasurer, he examines the School District's appropriation account summary report to ensure that appropriations are sufficient to meet the obligation. If appropriations are not sufficient, the request is rejected and not signed by the Treasurer.

#### In Process of Implementation:

- *The Board adopts permanent appropriations prior to meeting the statutory criteria for the adoption of permanent appropriations. Section 5705.38, Revised Code, indicates that annual appropriations should be adopted by October 1 provided an amended certificate of estimated resources or a certification that no amended certificate need be issued has been received from the County Auditor (Refer to Auditor of State bulletin 98-012).*

The Huron City School District's permanent appropriations are based on the September amended certificate of estimated resources received from the Erie County Budget Commission. The September amended certificate includes the actual cash balances at the end of prior fiscal year. The County Budget Commission does not issue an amended certificate or a certificate that no new amended certificate is needed, as required by Section 5705.36(B) of the Ohio Revised Code. In an effort to receive this certificate from the County Budget Commission in the future, the Treasurer will request a certificate in writing around October 1 each year.

- *Section 5705.39, Revised Code, requires the Board of Education to certify a copy of the appropriation resolution to the county auditor. No appropriation resolution is effective until the county auditor files with the Board of Education a certificate that total appropriations from each fund do not exceed the official or amended official certificate of estimated resources. The Treasurer does not certify and file any appropriation resolution with the County Auditor.*

In accordance with Section 5705.39, Revised Code, the Treasurer submitted a copy of the appropriations resolution for fiscal year 2006 to the County Auditor. The County Auditor failed to issue a certificate that total appropriations from each fund do not exceed the official or amended certificate of estimated resources. In an effort to receive this certificate from the County Auditor in the future, the Treasurer will request a certificate in writing when he submits his appropriations to the County Auditor.

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

- *The School District should update its Policy Manual regarding its budgetary process. The manual should include policies that are designed to comply with Ohio Budgetary Law including the level at which the Board adopts appropriations and the nature of the control, approval and documentation for the initial allocation and subsequent re-allocations of appropriations of the Board of Education. In addition, the manual needs to be updated to address the five-year forecast requirements and the dates that the forecast is to be submitted to the Ohio Department of Education. The policy should also require the treasurer to report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the monthly report.*

The School District has contracted with the Ohio School Board Association (OSBA) for the purpose of assisting the Treasurer and Superintendent in the updating the School District's policies. The policies will include the level at which the Board adopts appropriations and the nature of the control, approval and documentation for the initial allocation and subsequent re-allocations of appropriations of the Board of Education, the five-year forecast requirements and the dates that the forecast is to be submitted to the Ohio Department of Education. The policies will also address reporting occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the monthly report.

#### Not Implemented:

- *The Board authorized the Treasurer to make transfers, advances and supplemental appropriations as part of the year-end closing and to present those items for ratification at the next regularly schedule meeting. The legislative body of a local government may not delegate its authority to establish appropriations. The appropriations process is a function of the legislative authority that must be performed by those specific individuals elected to fulfill that responsibility. In addition, there is no authority in statute for the Board to authorize transfers, advances, and supplemental appropriations after the fiscal year has ended. The Board should terminate this practice.*

The Board of Education will be correcting this practice by requiring appropriation amendments to be presented to the Board prior to any budgetary violation occurring and will terminate the practice of authorizing appropriations after the fact and after fiscal year end.

#### **Revenue Activity**

#### Implemented:

- *System receipts should bear the initials or signature of the person that received and posted the transaction rather than the electronic signature of the Treasurer. The Treasurer should review the account coding and documentation of receipts over a specified dollar amount.*

The Administrative Assistant to the Treasurer has begun to review the computer generated receipts for accuracy by comparing it to the pay-in and signs the computer generated receipts once the pay-in slip from the buildings has been posted to the system.

- *The Ticket Summary form used to account for the collection of money for extracurricular activities should be signed by the person responsible for preparing the form.*

The Ticket Summary is now being signed by the person responsible for preparing the form.



## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

#### In Process of Implementation:

- *The School District does not have written procedures for the receipt of money. The Treasurer should document the procedures followed for the receipt and deposit of money and compliance with the related Board policies.*

The School District has contracted with the Ohio School Board Association (OSBA) for the purpose of assisting the Superintendent and Treasurer in providing written procedures for the receipt and deposit of money.

- *A policy should be implemented to ensure that discrepancies from ticket sales would be dealt with in a consistent and timely manner.*

The School District has contracted with the Ohio School Board Association (OSBA) for the purpose of assisting the Superintendent and Treasurer in providing written procedures for how discrepancies from ticket sales will be dealt with in a consistent and timely manner.

- *The Treasurer should review the process for the receipt and deposit of money to the bank. The areas that are potential issues are the number of deposit slips/bags prepared by each building, the number of trips to the bank to make deposits, and the security of the cash collections and deposit bags waiting delivery to the bank. Each building should summarize their receipts for the day and make one deposit and one trip to the bank or arrangements should be made for the pickup and delivery of deposits to the bank. The Treasurer should observe how cash collections are secured within each building, if at all, and implement appropriate changes.*

The Treasurer has begun to review the process used for the receipt and deposit of money to the bank and how cash collections are secured within each building.

- *The scan card lunch money is either left on an unsecured cart in the cafeteria or in envelopes on the classroom doors. The money should be in a secured place until it can be picked up or delivered to the cafeteria staff.*

In order to reduce the amount of unsecured scan card lunch money in the cafeteria, the School District is implementing an “EZ Pay” school payment system in the Fall of 2006. This system will allow parents to go online and review and add money to their children’s lunch accounts. Any other monies left unsecured has been assigned to the Food Service Director for review and a recommendation on how to deal with this will be forthcoming.

#### Not Implemented:

- *A pay-in is a form generally used by the treasurer’s office for the receipt of money and for the posting of receipts to the accounting system. Receipts are generally a document used to substantiate the receipt of money. School District building staff issue pay-ins instead of receipts. Manual receipts should be used by building staff. Pay-ins should only be utilized by the treasurer’s office to document the receipt of money from the buildings and to post receipts into the system.*

The Treasurer will implement the use of a standard receipt book with prenumbered receipts at the start of the next fiscal year.

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

#### *Purchasing Process*

##### Implemented:

- *The Treasurer and/or the Administrative Assistant to the Treasurer should indicate that a review of unpaid purchase orders and an inquiry with vendors, buildings or departments has taken place by signing or initialing the Open Purchase Order Listing. Without initialing the report, it cannot be determined if a review has actually taken place.*

The Administrative Assistant to the Treasurer now makes any inquiries pertaining to open purchase orders by contacting the individual responsible for the unpaid purchase order through sending an email to indicate that a review of unpaid purchase orders has taken place. The email is then attached to the unpaid purchase order and other supporting documentation to ensure that the inquiries have been addressed.

##### In Process of Implementation:

- *The School District should update the Board Policies for purchasing to address the role of the Treasurer and Superintendent, the use of purchase orders, the statutory certifications by the treasurer, the use of quotes from vendors, and the consequences for failure to obtain the Treasurer's certification.*

The School District has contracted with the Ohio School Board Association (OSBA) for the purpose of assisting the Superintendent and Treasurer in updating the policies for addressing the role of the Treasurer and Superintendent in purchasing, the use of purchase orders, the statutory certifications by the Treasurer, the use of quotes from vendors, and the consequences for failure to obtain the Treasurer's certification.

##### Not Implemented:

- *The building secretaries enter information from manually prepared requisitions and print a purchase requisition after the manual requisition is prepared by an employee and approved by the supervisor. The same information is entered by the Administrative Assistant to the Treasurer in preparing a purchase order. The School District should use the software feature that allows purchase requisitions to be entered and approved on-line and use the same information to generate purchase orders. This will eliminate the duplication of effort in the process.*

The School District did not implement this comment since they are in fiscal emergency and this software feature is costly.

#### *Cash Disbursements*

##### Implemented:

- *The Treasurer should compare the electronically signed checks to the voucher before they are mailed. This comparison should be completed for all checks or checks over a predetermined amount (i.e. over \$1,000 or \$5,000).*

The Treasurer now compares all electronically signed checks to the voucher amounts and initials the voucher and signs "OK to Pay" before they are mailed.

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

#### In Process of Implementation:

- *The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for invoices that exceed the purchase order, fiscal officer certification of funds and the use of “Then and Now” certifications. The document should be kept on file in the Treasurers’ office.*

The School District has contracted with the Ohio School Board Association (OSBA) for the purpose of assisting the Superintendent and Treasurer in the documentation of the procedures for cash disbursements including the staff positions and their functions, procedures for invoices that exceed the purchase order, fiscal officer certification of funds and the use of “Then and Now” certifications.

#### Not Implemented

- *The Treasurer receives blanket approval from the Board at the organizational meeting to pay obligations as they come due. The Board is not legally authorized to grant such approval at the organizational meeting. The Board should comply with Section 3313.18, Revised Code, in granting such authority.*

The School District is seeking guidance in resolving or clarifying this issue. The Auditor of State is reviewing the requirements of Section 3313.18, Revised Code, and will advise the School District in a separate letter how to best comply with this section of law. The School District should also review its practice and seek guidance on how to comply with this code section from its own legal counsel.

#### ***Payroll Processing***

#### Implemented:

- *The School District should amend its 412 certificate attached to the classified bargaining unit contract to include the actual dates of the contract’s term.*

The 412 certificate attached to the classified bargaining unit contract now includes the actual date of the contract’s term.

#### In Process of Implementation:

- *The procedures used to process payroll should be documented and on file in the Treasurer’s office. The procedures should address the duties, processes, and segregation of duties involving the payroll process, and should include lost check procedures.*

The School District has contracted with the Ohio School Board Association (OSBA) for the purpose of assisting the Assistant Treasurer in developing written procedures to address the duties, processes, and segregation of duties involving the payroll process, and will include lost check procedures.

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

#### Not Implemented:

- *All staff involved with the processing of payroll has full access to the payroll system. Staff access should be limited to the functions they perform.*

Due to the fact that all Treasurers' office staff are required to be cross-trained in all applicable functions, all staff must have full access to the payroll system. Therefore, no changes in payroll system access is planned at this time. The payroll clerk is the only employee who has access to changing employees' pay rates.

A payroll clerk should not have the ability to change employee pay rates. The changing of employee rates and processing of payroll are incompatible function and should be segregated. This function should be removed from the Treasurer's office and those employees that process payroll. It should be assigned to Human Resources or the Superintendents office. The Treasurer should compare new hires and any pay rate changes each pay period to the approval documented in the minutes of the Board of Education or a resolution.

- *Overtime is currently being pre-approved verbally. Written approval of overtime should be obtained prior to the overtime being worked.*

The Treasurer will be working with the administrative staff to develop and implement an overtime approval process for both planned and emergency overtime. Although overtime is still being approved verbally, the Treasurer is ensuring the overtime hours paid are the hours reported on the timesheets that are approved by the building principals. If there are no discrepancies, the Treasurer will sign the time card to indicate his review.

#### ***Debt Administration***

#### Not Implemented:

- *The debt schedules in the 4502 (Statements J and L) do not reflect the correct balances. Interest is incorrectly being included in Statement L when only principal should be shown. The ending balances should tie to the outstanding principal balance at fiscal year end.*

The Treasurer will correct the entered information in the 4502 for Statements J and L for the fiscal year ending June 30, 2006.

#### ***Capital Assets and Supplies Inventories***

#### In Process of Implementation:

- *The capital assets policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students).*
- *The Board approved an increase in the capitalization threshold by resolution. The policy should be updated to include the new capitalization threshold.*

The School District has contracted with the Ohio School Board Association (OSBA) for the purpose of assisting the Superintendent and Treasurer in updating policies to address valuing donated assets, assigning salvage values, addressing private property and updating the new capitalization threshold.

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

- *The School District's consumable inventory procedures should be updated to include the items to be inventoried, method to be used, and the individuals responsible for verifying the count. The procedures should include a standard form for counting fiscal year-end inventory and a review process to insure that the valuation is reasonable.*

The School District has contracted with the Ohio School Board Association (OSBA) for the purpose of assisting the Superintendent and Treasurer in updating policies to address identification of items to be inventoried, the method to be used, the individuals responsible for verifying the count, a standard form for counting fiscal year-end inventory, and a review process that the School District should begin to insure that the valuations is reasonable.

#### Not Implemented:

- *According to the School District's policy, a physical inventory is to be taken in June. This is not being done.*

The School District is of the opinion that the only material inventory at the end of the fiscal year is in the food service fund. The Treasurer will develop annual procedures to evaluate whether a material amount of supplies exist elsewhere that needs to be counted.

#### **Cash Management and Investing**

#### Implemented:

- *The monthly reconciliations should include a fund balance report to document that the total cash balance of all funds agrees with the reconciled amount of cash and investments.*

The monthly reconciliation now includes a fund balance report to document that the total cash balance of all funds agrees with the reconciled amount of cash and investments.

#### In Process of Implementation:

- *The School District needs a policy on how change funds are to be used.*

The School District has contracted with the Ohio School Board Association (OSBA) for the purpose of assisting the Superintendent and Treasurer in establishing policies for petty cash and how change funds are to be used.

- *The investment policy needs to be updated to address interest allocation. The resolution that addresses the interest allocation could not be located.*
- *The investment policy should be signed by the Board and the Treasurer.*
- *The investment policy should be filed with the Auditor of State's office.*

The investment policy is in the process of being updated to address interest allocation. Once updated and approved by the board, the policy will be signed by the Treasurer and Board President and filed with the Auditor of State's office.

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

#### Not Implemented:

- *Board policy indicates that the Board authorizes establishment of cash funds in the care of custodians as stated in their annual Petty Cash resolution. No such resolution has been adopted.*

#### **Financial Reporting**

#### Implemented:

- *The Treasurer should provide a monthly bank reconciliation with the month end reports to the Superintendent, the Board and the Financial Planning and Supervision Commission. The reconciliation should demonstrate that all bank balances equal fund cash balances and identify the nature of any adjustments.*

Beginning with the January 2006 regular meeting of the Board of Education, the Treasurer provides monthly bank reconciliations with the month end reports to the Superintendent, the Board and the Financial Planning and Supervision Commission that demonstrates that all bank balances equal fund cash balances and identifies the nature of any adjustments.

- *The School District publishes Statement “S” from the 4502 once completed. Statute requires that a notice be provided to the newspaper which states that the financial report (prepared in accordance with GAAP) has been completed by the office and is available for public inspection in the office of the fiscal officer. The notice is to be made upon filing the report with the Auditor of State. (See AOS Bulletin 2001-012).*

The Treasurer has provided the required notice that the fiscal year 2005 financial report has been completed and is available for public inspection upon the filing of the financial report with the Auditor of State’s Office.

#### In Process of Implementation:

- *The Policy Manual should be updated to include the duties of the Treasurer for preparing and filing GAAP basis financial statements within 150 days after the fiscal year end.*

The School District has contracted with the Ohio School Board Association (OSBA) for the purpose of assisting the Superintendent and Treasurer in updating policies to include the duties of the Treasurer for preparing and filing GAAP basis financial statements within 150 days after the fiscal year end.

#### **Recording Official Proceedings:**

- *The minutes should be signed immediately following the meeting at which they are approved. Both the President of the Board of Education and the Treasurer should sign the minutes. The Board minutes are not always signed by the Treasurer and President of the Board when approved at each meeting.*

The minutes are now signed by the Treasurer and Board of Education President after Board approval at the next Board meeting.

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

#### The Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the district is not materially complying with the provisions of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.

## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

#### The Financial Recovery Plan

We obtained a copy of the latest financial recovery plan of the School District, dated June 21, 2005, and interviewed the Treasurer of the School District and received information from the Chairperson of the Financial Planning and Supervision Commission. The key provisions of the financial plan are as follows:

1. Development of a nonadverse five-year forecast;
2. Approval of fiscal year appropriations that are aligned with the five year forecast;
3. Deviations from the five-year financial forecast, the Financial Recovery Plan and appropriations must be approved by the Financial Planning and Supervision Commission;
4. Request of a solvency assistance advance;
5. The Board of Education will place a renewal levy on the ballot;
6. The Board and Commission will consider the Auditor of State recommendations included in the performance audit;
7. Monthly reports of receipts, expenditures and encumbrances to be monitored by the Ohio Department of Education;
8. Commission will continue to exercise control over the School District's personnel contracts and successor collective bargaining contracts; and
9. Personnel reductions.

Actions taken to achieve the provisions of the plan include the following:

1. Requested and received a solvency assistance fund advance in the amount of \$430,000.
2. Obtained voter approval of a new five year emergency levy in May 2005 that generates \$2,740,000 annually;
3. Passed a renewal operating levy in November 2005 that generates \$464,000 annually.
4. Reduced 4 administrative positions, 7 certified positions, and 10 classified positions during fiscal years 2003 and 2004 which resulted in savings of approximately \$1,100,000;
5. Reduced one administrative position, 9.5 certified positions and 25 supplemental contracts for fiscal year 2005 resulting in a savings projected at \$557,000;
6. Reduced six certified positions in fiscal year 2006 with a savings projected at \$275,000;
7. Charged the Cafeteria Supervisor salary and benefits to the food service fund, with a projected \$40,000 annual savings to the general fund.
8. Approved the collective bargaining agreements between the Board of Education and the Huron Classified Employees Association and the Huron Education Association for the period of July 1, 2005 to June 30, 2008.



## Huron City School District – Erie County

### Report for Termination of the Huron City School District Financial Planning and Supervision Commission

---

#### **The Five Year Forecast**

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2006 through 2010, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District's five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the forecast period through fiscal year 2010. The Auditor of State, in a report dated March 22, 2006, rendered a "nonadverse" opinion on the financial forecast.

#### **Conclusion**

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented, or is in the process of implementing, policies for a sound accounting and reporting system; however, the Auditor of State will monitor the progress to insure full implementation within a two year period, especially those areas deemed not implemented as of the date of this report;
2. The School District has corrected or eliminated all the fiscal emergency conditions and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is "nonadverse".

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Huron City School District and its functions may be terminated.

It is understood that this report's determination is for the use of the Huron City School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, Glen A Ginesi, Mayor of the City of Huron and Susan Tave Zelman, State Superintendent of Public Instruction, and others as designated by the Auditor of State, and is not to be used for any other purpose.

**Huron City School District – Erie County**

**Report for Termination of the Huron City School District  
Financial Planning and Supervision Commission**

---

**DISCLAIMER**

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

**APPENDIX A**

**Huron City School District  
Erie County, Ohio**

**Financial Forecast**

**For the Fiscal Years Ending June 30, 2006 Through 2010**

This Page Left Blank, Intentionally

**Huron City School District  
Erie County**

Table of Contents

---

	Page
Accountant's Report .....	A-3
Statement of Revenues, Expenditures and Changes in Fund Balance for Fiscal Years Ended June 30, 2003 through 2005 Actual; Fiscal Years Ending June 30, 2006 through 2010 Forecasted .....	A-4
Summary of Significant Accounting Policies and Forecast Assumptions .....	A-6

This Page Left Blank, Intentionally



**Auditor of State  
Betty Montgomery**

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the general fund of the Huron City School District for the fiscal years ending June 30, 2006 through 2010. The Huron City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with the guidelines for presentation of forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Huron City School District for the fiscal years ended June 30, 2003, 2004, and 2005 were compiled by us in accordance with the Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 22, 2006

Local Government Services Section  
88 E. Broad St. / Sixth Floor / Columbus, OH 43215  
Telephone: (614) 466-4717 (800) 345-2519 Fax: (614) 728-8027  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**Huron City School District - Erie County**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Fiscal Years Ending June 30, 2003 Through 2005 Actual;  
For the Fiscal Years Ending June 30, 2006 Through 2010 Forecasted  
General Fund

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual
<b>Revenues</b>			
General Property Taxes	\$5,781,000	\$6,217,000	\$6,219,000
Tangible Personal Property Taxes	1,506,000	1,523,000	1,418,000
Unrestricted Grants-in-Aid	2,708,000	2,621,000	2,620,000
Restricted Grants-in-Aid	28,000	35,000	47,000
Property Tax Allocation	735,000	765,000	847,000
All Other Revenues	399,000	401,000	288,000
<i>Total Revenues</i>	<u>11,157,000</u>	<u>11,562,000</u>	<u>11,439,000</u>
<b>Other Financing Sources</b>			
Proceeds from Sale of Notes	0	610,000	0
Solvency Assistance Advance	0	0	430,000
Transfers In	0	0	0
Advances In	1,000	10,000	0
<i>Total Other Financing Sources</i>	<u>1,000</u>	<u>620,000</u>	<u>430,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>11,158,000</u>	<u>12,182,000</u>	<u>11,869,000</u>
<b>Expenditures</b>			
Personal Services	6,853,000	6,457,000	6,257,000
Employees' Retirement/Insurance Benefits	2,546,000	3,002,000	3,002,000
Purchased Services	1,196,000	1,160,000	1,399,000
Supplies and Materials	482,000	470,000	365,000
Capital Outlay	132,000	15,000	91,000
Debt Service:			
Principal-Notes	70,000	70,000	275,000
Solvency Assistance Advance	0	0	0
Interest and Fiscal Charges	9,000	19,000	15,000
Other Objects	546,000	542,000	472,000
<i>Total Expenditures</i>	<u>11,834,000</u>	<u>11,735,000</u>	<u>11,876,000</u>
<b>Other Financing Uses</b>			
Transfers Out	0	10,000	120,000
Advances Out	0	0	16,000
<i>Total Other Financing Uses</i>	<u>0</u>	<u>10,000</u>	<u>136,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>11,834,000</u>	<u>11,745,000</u>	<u>12,012,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(676,000)	437,000	(143,000)
Cash Balance July 1,	<u>856,000</u>	<u>180,000</u>	<u>617,000</u>
Cash Balance June 30,	<u>180,000</u>	<u>617,000</u>	<u>474,000</u>
<b>Encumbrances and Reserves:</b>			
Actual/Estimated Encumbrances June 30	64,000	157,000	260,000
Reservations of Fund Balance for:			
Budget Reserve	54,000	54,000	0
Bus Purchases	21,000	31,000	43,000
Total Encumbrances and Reserves of Fund Balance	<u>139,000</u>	<u>242,000</u>	<u>303,000</u>
Unencumbered/Unreserved Fund Balance June 30	<u>\$41,000</u>	<u>\$375,000</u>	<u>\$171,000</u>

See accompanying summary of significant forecast assumptions and accounting policies



Fiscal Year 2006 Forecasted	Fiscal Year 2007 Forecasted	Fiscal Year 2008 Forecasted	Fiscal Year 2009 Forecasted	Fiscal Year 2010 Forecasted
\$7,528,000	\$8,694,000	\$8,935,000	\$9,184,000	\$10,157,000
1,516,000	1,137,000	758,000	379,000	0
2,665,000	2,535,000	2,467,000	2,396,000	2,327,000
7,000	1,000	1,000	1,000	1,000
904,000	1,507,000	1,868,000	2,193,000	2,555,000
297,000	302,000	308,000	313,000	319,000
<u>12,917,000</u>	<u>14,176,000</u>	<u>14,337,000</u>	<u>14,466,000</u>	<u>15,359,000</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>16,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
<u>16,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
<u>12,933,000</u>	<u>14,196,000</u>	<u>14,357,000</u>	<u>14,486,000</u>	<u>15,379,000</u>
6,455,000	6,717,000	7,049,000	7,396,000	7,762,000
2,817,000	3,041,000	3,374,000	3,752,000	4,180,000
1,781,000	1,732,000	1,817,000	2,026,000	2,000,000
504,000	530,000	539,000	549,000	559,000
113,000	115,000	117,000	120,000	122,000
205,000	200,000	0	0	0
215,000	215,000	0	0	0
8,000	3,000	0	0	0
607,000	619,000	632,000	644,000	657,000
<u>12,705,000</u>	<u>13,172,000</u>	<u>13,528,000</u>	<u>14,487,000</u>	<u>15,280,000</u>
57,000	3,000	3,000	3,000	3,000
<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
<u>77,000</u>	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>
<u>12,782,000</u>	<u>13,195,000</u>	<u>13,551,000</u>	<u>14,510,000</u>	<u>15,303,000</u>
151,000	1,001,000	806,000	(24,000)	76,000
<u>474,000</u>	<u>625,000</u>	<u>1,626,000</u>	<u>2,432,000</u>	<u>2,408,000</u>
<u>625,000</u>	<u>1,626,000</u>	<u>2,432,000</u>	<u>2,408,000</u>	<u>2,484,000</u>
200,000	200,000	200,000	200,000	200,000
0	0	0	0	0
<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>250,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
<u>\$375,000</u>	<u>\$1,426,000</u>	<u>\$2,232,000</u>	<u>\$2,208,000</u>	<u>\$2,284,000</u>

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

---

**Note 1 – The School District**

The Huron City School District (the School District) is located in Erie County and encompasses all of the City of Huron. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one elementary school, one middle school and one high school. The School District is staffed by 39 non-certified and 86 certificated personnel who provide services to approximately 1,460 students and other community members.

**Note 2 - Nature of the Forecast**

This financial forecast presents, to the best of the Huron City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of March 22, 2006, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

**Note 3 – Nature of the Presentation**

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, general fund supported debt is included in the general fund.

**Note 4 - Summary of Significant Accounting Policies**

**A. - Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**B. - Fund Accounting**

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

---

**Governmental Funds**

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

**Proprietary Funds**

Enterprise Funds - Enterprise funds may account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost reimbursement basis.

**Fiduciary Funds**

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trusts funds, investment trust funds, private-purpose trust funds and agency funds.

**C. - Budgetary Process**

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 appropriations 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.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Erie County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

---

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

**Note 5 - General Operating Assumptions**

The Huron City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

**Note 6 - Significant Assumptions for Revenues and Other Financing Sources**

**A. - General and Tangible Personal Property Taxes**

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in business. Property taxes are collected for, and distributed to, the school districts in the county by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the county auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue includes amounts levied against all real, public utility real and tangible, and business tangible personal property located in the School District. Property tax revenue received during calendar year 2005 for real and public utility property taxes represents collections of calendar year 2004 taxes. Property tax payments received during calendar year 2005 for tangible personal property (other than public utility property) are for calendar year 2005 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "property tax allocation". Beginning in calendar year 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial property. This change will increase real property taxes collected on commercial and industrial property and decrease property tax allocation revenue.

The forecast excludes the receipt of any advances in June against the next fiscal year's scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to request any such advances for fiscal years 2006 through 2010.

The property tax revenues for the School District are generated from several levies. The current levies being collected for the General Fund, the year approved, the first and last calendar year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$5.30
Continuing Operating	Prior to 1976	n/a	n/a	36.50
Continuing Operating	1985	n/a	n/a	7.30
Continuing Operating	1990	n/a	n/a	5.90
Current Operating	2005	2007	2009	5.90
Emergency	2004	2005	2009	1.35
Emergency	2005	2006	2010	8.90
Total Tax Rate				\$71.15

The School District also has a levy for permanent improvements and library bonds of \$3.00 and \$2.00 per \$1,000 of assessed valuation, respectively. The School District's total rate is \$76.15 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency levies and debt, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. For the General Fund, the effective residential and agricultural real property tax rate is \$31.39 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$32.35 per \$1,000 of assessed valuation for collection year 2006.

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenues. The estimated general property tax revenue is based upon actual receipts and information provided by the Erie County Auditor.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

---

In May 2005, the voters of the School District approved a five-year emergency levy that will generate \$2,740,000, annually. Collections on the levy began in January 2006.

The Erie County Auditor will complete a sexennial reappraisal in calendar year 2006 which will increase assessed valuations and the real estate tax collections starting in fiscal year 2007 by approximately 12 percent. In fiscal year 2009, the School District will have a triennial revaluation, which will increase assessed valuations and real estate tax collections in fiscal year 2010 approximately 11 percent. During the forecast period, there is one emergency and one current operating levy that will expire and are not anticipated to be renewed. The School District anticipates increases in general property taxes each year of the forecast period because of new construction and higher assessed valuations; however, this revenue is also adjusted for the following:

- In fiscal year 2006, an increase due to a half year's collection from the \$2,740,000 emergency levy passed in May 2005;
- In fiscal year 2007, an increase due to a full year's collection from the \$2,740,000 emergency levy; and
- In fiscal year 2010, a decrease of one half of the annual revenue from the expiring 5.9 mill current operating levy and the \$400,000 emergency levy.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, HB 66 will switch telephone companies from being public utilities to general business taxpayers and phase out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after 2010 on local and inter-exchange telephone companies. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

Tangible Personal Property Tax – Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on business inventory, currently at 23 percent, was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it was completely phased out regardless of the growth in collections.

Beginning in 2006, HB 66 will phase out, by 25 percent each year, tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the 2005 tangible personal property tax collections, will lose approximately \$1,418,000 when the tangible personal property tax is completely phased out in 2009. These

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

---

changes do not affect tangible personal property of public utilities. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Property Tax Allocation Revenue below).

Tangible personal property tax revenues include the actual settlement for October 2005 and an estimate for the June 2006 personal property tax settlement. The School District receives approximately 95 percent of the tangible personal property tax revenue in the October settlement. The effect of the tax changes on the June 2006 personal property settlement will not be significant to the personal property tax revenue for fiscal year 2006. The increase in revenue for fiscal year 2006 compared to the prior fiscal year is due to the passage of the \$2,740,000 emergency levy passed in May 2005, offset by reductions in the percentages used to calculate the assessed valuation in personal property. The School District anticipates decreases in personal property tax revenue during fiscal years 2007 through 2009 as a result of the tax changes discussed above.

**C. - Unrestricted Grants-in-Aid**

Unrestricted Grants-in-Aid include State Foundation payments and reimbursement for lost revenue due to utility deregulation. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as equity and parity aid, excess cost supplement, and charge-off supplement which are provided to address certain policy issues or correct flaws in formula aid are also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district's taxable property valuation. The regional cost of doing business factor is being phased out over a three-year period through fiscal year 2008. The per pupil foundation level has been set by the State Legislature as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$4,949
2004	5,058
2005	5,169
2006	5,283

The base cost per pupil for fiscal years 2007 through 2010 is yet to be set by the Ohio General Assembly. It is anticipated that similar increases of 2.2 percent as in the last State bi-annual budget will be approved. The School District anticipates ADM to decrease throughout the forecast period. Presented below is a comparison of unrestricted grants-in-aid for fiscal years 2006 through 2010.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

	Forecasted				
	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Formula Aid	\$1,352,000	\$1,351,000	\$1,221,000	\$1,212,000	\$1,144,000
Basic Aid Guarantee	0	0	0	0	0
Reappraisal Guarantee	0	0	0	0	0
Transitional Guarantee	704,000	645,000	645,000	645,000	645,000
Categorical Funding	175,000	237,000	237,000	237,000	237,000
Transportation	306,000	312,000	312,000	312,000	312,000
Budget Reduction Order	0	0	0	0	0
Foundation Adjustments	0	(10,000)	(10,000)	(10,000)	(11,000)
<b>Total Foundation</b>	<b>2,537,000</b>	<b>2,535,000</b>	<b>2,405,000</b>	<b>2,396,000</b>	<b>2,327,000</b>
Utility Deregulation	66,000	0	0	0	0
Personal Property Tax Replacement Revenue	62,000	0	0	0	0
<b>Total Unrestricted Grants-in Aid</b>	<b>\$2,665,000</b>	<b>\$2,535,000</b>	<b>\$2,405,000</b>	<b>\$2,396,000</b>	<b>\$2,327,000</b>

Formula Aid is decreasing due to increases in the School District's recognized property valuation and decreases of 56.6 in ADM. Also, the cost of doing business factor applied to the per pupil amount was reduced by one-third in fiscal year 2006, and will be reduced by another one-third for fiscal year 2007 and eliminated in fiscal year 2008. The decrease is offset by add on building blocks of \$40 per pupil in fiscal year 2006 and \$48 per pupil in fiscal year 2007. During fiscal year 2005, the School District received a reappraisal guarantee of \$568,000, due to the County reappraisal that decreased total State aid. During the forecast period, the School District will receive a transitional aid guarantee to ease the impact of the many changes made in the basic aid formula. Categorical funding decreased during fiscal year 2006 due to a decrease in the number of units for special education and gifted aid, and remain at fiscal year 2007 level for the remainder of the forecast.

**D. - Restricted Grants-in-Aid**

Restricted grants-in-aid includes an anticipated bus purchase allowance of \$7,000 in fiscal year 2006. For fiscal years 2007 through 2010, the School District anticipates receiving \$1,000 in career tech monies, and does not anticipate receiving bus purchase allowances.

**E. - Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Beginning in 2006, the State eliminated the ten percent rollback credit on commercial and industrial real properties.

Beginning in fiscal year 2006, the State will reimburse the School District for lost revenue due to the phase out of tangible personal business property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be for the difference



**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

between the assessment values under prior law and the assessment values under HB 66. This means the School District is only reimbursed for the difference between prior law and the phase-outs in HB 66.

For fiscal year 2006, property tax allocation revenue is anticipated to increase due to the passage of the 8.9 mill emergency levy in May 2005. The School District anticipates increases in property tax allocation each year of the forecast period because of new construction, higher assessed valuations and the reimbursements for lost revenue due to the phase out of tangible personal business property tax.

The State exempts the first \$10,000 in personal property from taxation. The State reimburses the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

**F. - All Other Revenues**

Presented below is a comparison of all other revenues for the forecast period:

Revenue Sources	Forecast Fiscal Year 2006	Forecast Fiscal Year 2007	Forecast Fiscal Year 2008	Forecast Fiscal Year 2009	Forecast Fiscal Year 2010
Tuition	\$13,000	\$13,000	\$13,000	\$13,000	\$14,000
Interest	60,000	61,000	62,000	63,000	64,000
Student Class and Book Fees	78,000	80,000	82,000	83,000	84,000
Rentals	106,000	108,000	110,000	113,000	114,000
Sale of Capital Assets	6,000	6,000	6,000	6,000	6,000
Refund of Prior Year Expenditures	27,000	27,000	28,000	28,000	30,000
Other	7,000	7,000	7,000	7,000	7,000
<b>Totals</b>	<b>\$297,000</b>	<b>\$302,000</b>	<b>\$308,000</b>	<b>\$313,000</b>	<b>\$319,000</b>

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation going to the general fund.

Rental income is anticipated to increase due to an increase in the fees the School District charges for rental of properties.

**Other Financing Sources**

Solvency Assistance Advance – During fiscal year 2005, the School District received \$430,000 in a State solvency assistance advance. The advance will be repaid without interest over two fiscal years beginning in fiscal year 2006 using the School District’s foundation money.

Advances In - Advances in represents amounts loaned by the general fund to other funds which are being repaid to the general fund during the forecast period.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

---

**Note 6 – Significant Assumptions for Expenditures and Other Financing Uses**

**A. - Personal Services**

Personal service expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance, insurance opt out, attendance bonus and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels decreased from 163 in fiscal year 2004 to 148 in fiscal year 2005 to 132 in fiscal year 2006. There are no further staff reductions anticipated for the forecast period.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period August 1, 2005 to July 31, 2008, and allows for a one percent base increase in fiscal year 2007, a two percent base increase in fiscal year 2008, as well as step increases from four to seven percent in each year of the contract, depending on years of experience and education levels. For fiscal year 2006, the increase in certified salaries is offset by a reduction of six teachers and the transfer of six teachers to grant funds. Those employees who are in a zero index position in the salary schedule and did not receive a step increase during fiscal year 2006 will receive \$500.

Classified staff salaries are based on a negotiated contract which includes base and step increases. The contract covers the period August 1, 2001 to July 31, 2008. It allows for a one percent base increase in fiscal year 2007, and a two percent base increase in fiscal year 2008. For fiscal year 2006, classified salaries increased \$96,000 due to step increases. The increase is offset by a loss of four classified positions.

The School District has assumed annual increases similar to the current negotiated agreements for the fiscal years of the forecast not covered by the contracts. These agreements are subject to negotiations and approval by the Board of Education. The likelihood of achieving similar base increases for fiscal years 2009 and 2010 is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. An increase of one percent in the base salaries in fiscal year 2009 would increase total expenditures for salaries by approximately \$70,000 for that fiscal year. The effect of a one percent base salary increase in fiscal years 2009 through 2010 would increase total expenditures by approximately \$145,000.

In fiscal year 2005, the School District contracted with a staffing firm to provide all of the School District's substitute teachers, custodians and bus aides. Substitute tutors, bus drivers and bus mechanic costs which are not covered by the staffing firm are expected to remain consistent for fiscal years 2007 through 2010.

The School District offers severance pay upon retirement to its certified and classified employees with ten or more years of service in the School District. Severance pay for certified employees is one third of their unused sick leave not to exceed a total of 80 days paid. Severance pay to classified employees is one fourth of their unused sick leave not to exceed a total of 42 days paid.

In fiscal year 2003, the School District offered an early retirement incentive plan to reduce salary costs, which expired in fiscal year 2005. Employees who participated in an early retirement incentive plan received one hundred percent of their sick leave as severance pay, with one-third paid on the third year anniversary date of retirement, one-third is paid on the fourth year anniversary date of retirement, and one-third is paid on the fifth year anniversary date of retirement. For fiscal year 2006, a payment of \$53,000 will be paid, \$61,000 will be paid for fiscal years 2007 and 2008. Based on the last known year of severance payments of fiscal year 2008, the School District will forecast \$61,000 in severance pay for fiscal years 2009 and 2010.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

Presented below is a comparison of salaries and wages for fiscal years 2006 through 2010.

	Forecasted				
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2006	2007	2008	2009	2010
Certified Salaries	\$4,885,000	\$5,081,000	\$5,335,000	\$5,602,000	\$5,882,000
Classified Salaries	1,243,000	1,293,000	1,357,000	1,425,000	1,497,000
Substitute Salaries	30,000	30,000	33,000	33,000	36,000
Supplemental Contracts	212,000	221,000	232,000	244,000	255,000
Severance Pay	54,000	61,000	61,000	61,000	61,000
Overtime	23,000	23,000	23,000	23,000	23,000
Other Salaries and Wages	8,000	8,000	8,000	8,000	8,000
<b>Totals</b>	<b>\$6,455,000</b>	<b>\$6,717,000</b>	<b>\$7,049,000</b>	<b>\$7,396,000</b>	<b>\$7,762,000</b>

**B. – Employees’ Retirement/Insurance Benefits**

Employees’ retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employer’s contribution rate of 14 percent of salaries for STRS and SERS. Payments are made based upon estimated salaries and wages for each fiscal year. Adjustments resulting from differences in estimated and actual are prorated over the next calendar year. The School District also pays the employee retirement contribution of ten percent for all administrative staff.

Health, drug, dental and vision health care premiums are fixed on a calendar year basis. Effective January 1, 2006, all employees contribute five percent of their health care premiums. During fiscal year 2006, the health insurance premiums for certified and classified employees increased by 25 percent, and the drug insurance premiums for certified and classified employees increased by an average of 22.6 percent. For fiscal years 2007 through 2010, the School District anticipates a 15 percent increase annually. The following table is a comparison of the premium rates for certified and classified employees for fiscal years 2005 and 2006.

	Board’s Share of Insurance Rates Effective July 1			
	Certified		Classified	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2005	2006	2005	2006
<b>Family:</b>				
Health Insurance	\$697.62	\$872.03	\$686.29	\$857.86
Prescription Drug	304.66	373.15	324.37	397.46
<b>Single:</b>				
Health Insurance	\$274.50	\$343.13	\$270.04	\$337.55
Prescription Drug	129.86	159.33	138.47	169.96

The School District offered an early retirement incentive plan for members of the State Teachers Retirement System (STRS), in which service credit was purchased. Participation was open to all eligible STRS members. A member was eligible if age 50 had been attained on or before the effective date of retirement, they qualified to retire with the offered purchase of service credit, and they agreed to retire by August 1, 2003. The amount of service credit purchased for any participant was the lesser of two years, or one-fifth of each member’s total service. Eight members participated in this plan. The early retirement incentive payments to STRS were split between fiscal years 2004 and 2005. Therefore, a \$227,000 decrease is forecasted for fiscal year 2006. No other early retirement incentive payments are anticipated for the forecast period.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

Presented below is a comparison of employees' retirement/insurance benefits for fiscal years 2006 through 2010.

	Forecasted				
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2006	2007	2008	2009	2010
Employer's Retirement	\$1,055,000	\$1,097,000	\$1,152,000	\$1,209,000	\$1,270,000
Health, Drug, Dental and Vision Insurance	1,658,000	1,830,000	2,104,000	2,420,000	2,783,000
Workers' Compensation	12,000	12,000	13,000	14,000	14,000
Medicare	68,000	71,000	74,000	78,000	82,000
Unemployment	3,000	3,000	3,000	3,000	3,000
Tuition Reimbursement	18,000	25,000	25,000	25,000	25,000
Annuities	3,000	3,000	3,000	3,000	3,000
<b>Totals</b>	<b>\$2,817,000</b>	<b>\$3,041,000</b>	<b>\$3,374,000</b>	<b>\$3,752,000</b>	<b>\$4,180,000</b>

**C. - Purchased Services**

Presented below is a comparison of purchased service expenditures for fiscal years 2006 through 2010.

	Forecast	Forecast	Forecast	Forecast	Forecast
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2006	2007	2008	2009	2010
Professional and Technical Services	\$532,000	\$421,000	\$441,000	\$581,000	\$483,000
Property Services	327,000	343,000	361,000	379,000	397,000
Travel and Meeting Expenses	63,000	66,000	69,000	73,000	76,000
Communication Costs	71,000	75,000	78,000	82,000	86,000
Utility Services	407,000	427,000	449,000	471,000	494,000
Trade Services	5,000	5,000	5,000	5,000	6,000
Tuition Payments	363,000	381,000	400,000	420,000	442,000
Pupil Transportation	12,000	13,000	13,000	14,000	15,000
Other Purchased Services	1,000	1,000	1,000	1,000	1,000
<b>Totals</b>	<b>\$1,781,000</b>	<b>\$1,732,000</b>	<b>\$1,817,000</b>	<b>\$2,026,000</b>	<b>\$2,000,000</b>

In fiscal year 2006, professional and technical services are anticipated to increase due to an increase in the contract for substitutes. The School District contracts with a staffing firm to provide all of the School District's substitute teachers, custodians and bus aides. Legal costs also increased due to negotiating both the certified and classified contracts. Property services increased due to the repairing and painting of fences at all School District buildings and replacing the sound systems. Utility expenditures are anticipated to increase by \$123,000 due to the increasing costs of natural gas and electricity. Tuition payments will increase due to the increase in the number of special education students living in the in the Huron City School District who are being taught at other school districts.

Professional and Technical services for fiscal years 2007 through 2010 are anticipated to increase approximately 5 percent, except for legal costs. Legal costs for fiscal year 2009 are anticipated to increase from \$30,000 to \$150,000 because of contract negotiations.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

**D. - Supplies and Materials**

Presented below is a comparison of supplies and materials expenditures for fiscal years 2006 through 2010.

	Forecast Fiscal Year 2006	Forecast Fiscal Year 2007	Forecast Fiscal Year 2008	Forecast Fiscal Year 2009	Forecast Fiscal Year 2010
General Supplies	\$235,000	\$240,000	\$245,000	\$249,000	\$255,000
Textbooks	34,000	50,000	50,000	50,000	50,000
Periodical, Newspaper, Film and Filmstrips	4,000	5,000	5,000	5,000	5,000
Supplies and Materials for Operation	231,000	235,000	239,000	245,000	249,000
Totals	<u>\$504,000</u>	<u>\$530,000</u>	<u>\$539,000</u>	<u>\$549,000</u>	<u>\$559,000</u>

During fiscal year 2005, the School District limited their textbook and instructional materials and supplies purchases to what was absolutely necessary. The School District needed to replenish its supplies during the current fiscal year. The School District forecasts an average of a two percent increase for fiscal years 2007 through 2010. The School District intends to purchase textbooks and instructional supplies sufficient to satisfy its annual set-aside requirements.

**E. - Capital Outlay**

Purchases of property, plant and equipment used for general governmental services are recorded as expenditures. The School District is anticipating a \$22,000 increase in capital outlay from fiscal year 2005, in order to upgrade software for computer systems. The School District plans to purchase two buses during fiscal year 2007. The School District forecasts an average of a two percent increase in capital outlay expenditures for fiscal years 2008 through 2010 for computer software and hardware. The School District has a permanent improvement fund that generates approximately \$458,000 annually. The School District uses this fund to make all other capital expenditures.

**F. - Debt Service**

General fund supported debt consists of the following:

Issue	Issue Date	Maturity Date	Issue Amount	Interest Rate
Tax Anticipation Note	7/1/2003	12/1/2006	\$610,000	2.25-2.75%
Solvency Assistance Advance	8/1/2005	6/30/2007	430,000	0.00%

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

---

Principal and interest payments for the debt are as follows:

Fiscal Year	Tax Anticipation Notes		Solvency Assistance Advance	Total	
	Principal	Interest	Principal	Principal	Interest
2006	\$205,000	\$8,000	\$215,000	\$420,000	\$8,000
2007	200,000	3,000	215,000	415,000	3,000
Totals	\$405,000	\$11,000	\$430,000	\$835,000	\$11,000

During fiscal year 2004, the School District issued \$610,000 in tax anticipation notes, with interest rates of 2.25-2.75 percent for the purpose of financing current operating activities. The notes mature on December 1, 2006.

During fiscal year 2005, the School District received a solvency assistance advance in the amount of \$430,000, which is repaid in fiscal years 2006 and 2007.

**G. - Other Objects**

Other object expenditures consist of dues and fees. Other object expenditures are forecasted in the amount of \$607,000. The \$135,000 increase from fiscal year 2005 is primarily due to the purchase of additional services through the Erie County Educational Service Center paid through the School District's foundation settlements. These expenditures are anticipated to increase two percent in fiscal years 2007 through 2010.

**H. - Operating Transfers and Advances Out**

For fiscal year 2006, the general fund will make transfers in the amount of \$3,000 to the EMIS fund and \$54,000 to the permanent improvement fund. For fiscal years 2007 through 2010, the School District is anticipating to transfer out \$3,000 to the EMIS fund only.

For fiscal year 2006, the general fund is forecasted to advance \$16,000 to grant funds. For fiscal years 2007 through 2010, \$20,000 in advances are expected.

**Note 7 - Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects for fiscal year ended June 30, 2005 were \$260,000. For fiscal years 2006 through 2010, the School District anticipates encumbrances to remain constant at \$200,000.

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

---

**Note 8 - Reservations of Fund Balance**

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in the future years.

**A. - Textbooks and Instructional Materials**

The set aside requirement for fiscal year 2006 is \$228,000. The School District anticipates \$273,000 in qualifying disbursements during the current fiscal year; therefore, no reserve for textbooks and instructional materials is forecasted. For fiscal years 2007 through 2010, the School District anticipates qualified expenditures to exceed the annual set aside requirement.

**B. - Capital Acquisition and Improvements**

The set aside amount for fiscal year 2006 is \$228,000. The School District will have \$455,000 in offsets; therefore, no reserve for textbooks and instructional materials is forecasted. For fiscal years 2007 through 2010, the School District anticipates qualified expenditures to exceed the annual set aside requirement.

**C. - Bus Purchases**

At June 30, 2005, the School District had \$43,000 in unspent bus monies. The School District received \$7,000 in a bus purchase allowance during fiscal year 2006. The School District does not anticipate purchasing a new public school bus during the current fiscal year. Therefore, a reserve amount of \$50,000 is forecasted for bus purchases for fiscal year 2006. The School District does not anticipate any bus purchase allowance monies for fiscal years 2007 through 2010. The School District plans to purchase two school buses during fiscal year 2007, which will bring the reserve amount to \$0.

**Note 9 - Levies**

In the past ten years, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2006 through 2010**

Date	Type	Amount	Term	Election Results
March 1996	Permanent Improvement	3 mills	5 Years	Passed
February 1997	Operating	7.9 mills	Continuing	Failed
May 1997	Operating (Renewal)	5.9 mills	3 Years	Passed
May 1999	Emergency	400,000	5 Years	Passed
November 2000	Operating (Renewal)	5.9 mills	3 Years	Passed
May 2001	Permanent Improvement	3 mills	5 Years	Passed
November 2002	Operating (Renewal)	5.9 mills	3 Years	Passed
November 2003	Emergency	1,310,000	5 Years	Failed
March 2004	Emergency	2,100,000	5 Years	Failed
August 2004	Emergency	400,000	5 Years	Passed
August 2004	Emergency	2,100,000	5 Years	Failed
November 2004	Emergency	2,100,000	5 Years	Failed
May 2005	Emergency (New)	2,740,000	5 Years	Passed
November 2005	Operating (Renewal)	5.9 mills	3 Years	Passed

**Note 10 - Pending Litigation**

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
MAY 24, 2006**