

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

***BASIC FINANCIAL STATEMENTS***

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010*

**MICHAEL WEIS, TREASURER**

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

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Accountant's Compilation Report

To the Huron City School District Board of Education  
Huron, Ohio

We have compiled the basic financial statements, as listed in the table of contents, for the Huron City School District (the "District"), as of and for the fiscal year ended June 30, 2010, in accordance with Statements 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 the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis, on pages 3 through 12, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Julian & Grube, Inc.*

October 8, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The management's discussion and analysis of the Huron City School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets of governmental activities increased \$1,666,724.
- General revenues accounted for \$16,264,259 in revenue or 86.33% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,575,809 or 13.67% of total revenues of \$18,840,068.
- The District had \$17,173,344 in expenses related to governmental activities; only \$2,575,809 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,264,259 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$15,302,910 in revenues and \$14,488,997 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance increased \$813,913 from a balance of \$6,124,418 to a balance of \$6,938,331.

**Using the Basic Financial Statements**

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

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

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

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

***Notes to the Basic Financial Statements***

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**The District as a Whole**

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

The table below provides a summary of the District's net assets at June 30, 2010 and June 30, 2009:

	<b>Net Assets</b>	
	Governmental Activities 2010	Governmental Activities 2009
<b><u>Assets</u></b>		
Current and other assets	\$ 21,143,786	\$ 18,606,309
Capital assets, net	7,535,659	7,084,001
Total assets	28,679,445	25,690,310
<b><u>Liabilities</u></b>		
Current liabilities	10,692,778	10,386,559
Long-term liabilities	10,378,104	9,361,912
Total liabilities	21,070,882	19,748,471
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	3,074,649	2,481,287
Restricted	901,664	1,171,971
Unrestricted	3,632,250	2,288,581
Total net assets	\$ 7,608,563	\$ 5,941,839

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$7,608,563.

At year-end, capital assets represented 26.28% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$3,074,649. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

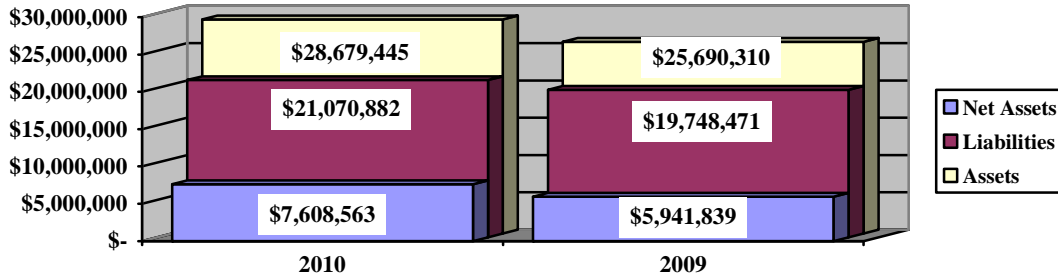
A portion of the District's net assets, \$901,664, represents resources that are subject to external restriction on how they may be used. The District had a remaining balance of unrestricted net assets of \$3,632,250.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below provides a summary of the District's assets, liabilities and net assets for 2010 and 2009:

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2010 and 2009:

**Change in Net Assets**

	Governmental Activities 2010	Governmental Activities 2009
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 845,961	\$ 811,456
Operating grants and contributions	1,625,493	1,135,749
Capital grants and contributions	104,355	117,969
General revenues:		
Property taxes	10,633,359	10,996,983
Grants and entitlements	5,492,004	5,266,099
Investment earnings	50,900	118,676
Other	87,996	26,426
Total revenues	<u>18,840,068</u>	<u>18,473,358</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Change in Net Assets**

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 7,057,334	\$ 7,109,702
Special	2,227,810	1,962,187
Other	79,409	62,936
Support services:		
Pupil	518,882	504,916
Instructional staff	718,625	700,231
Board of education	35,456	32,663
Administration	1,540,748	1,599,726
Fiscal	524,898	542,103
Business	-	95
Operations and maintenance	1,562,839	1,676,323
Pupil transportation	990,100	993,245
Central	4,378	1,416
Operations of non-instructional:		
Food service operations	669,754	722,341
Other non-instructional services	217,063	258,006
Extracurricular activities	606,060	556,432
Intergovernmental pass through	36,482	118,257
Interest and fiscal charges	<u>383,506</u>	<u>361,566</u>
Total expenses	<u>17,173,344</u>	<u>17,202,145</u>
Change in net assets	1,666,724	1,271,213
Net assets at beginning of year	<u>5,941,839</u>	<u>4,670,626</u>
Net assets at end of year	<u>\$ 7,608,563</u>	<u>\$ 5,941,839</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,666,724. Total governmental expenses of \$17,173,344 were offset by program revenues of \$2,575,809 and general revenues of \$16,264,259. Program revenues supported 15.00% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 85.59% of total governmental revenue. Real estate property is reappraised every six years.

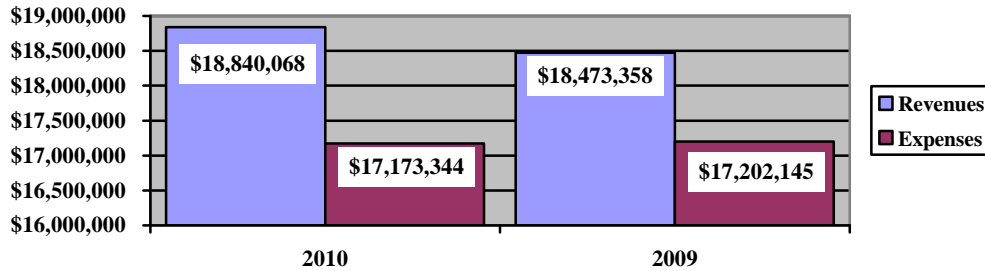
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,364,553 or 54.53% of total governmental expenses for fiscal year 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009:

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,057,334	\$ 6,850,453	\$ 7,109,702	\$ 6,796,256
Special	2,227,810	1,575,629	1,962,187	1,628,878
Other	79,409	15,586	62,936	4,023
Support services:				
Pupil	518,882	428,267	504,916	383,600
Instructional staff	718,625	528,524	700,231	688,794
Board of education	35,456	35,456	32,663	32,663
Administration	1,540,748	1,493,704	1,599,726	1,547,451
Fiscal	524,898	520,699	542,103	541,457
Business	-	-	95	95
Operations and maintenance	1,562,839	1,336,638	1,676,323	1,524,837
Pupil transportation	990,100	955,108	993,245	964,052
Central	4,378	4,162	1,416	1,416
Operation of non-instructional:				
Food service operations	669,754	28,645	722,341	66,543
Other non-instructional services	217,063	55,024	258,006	76,863
Extracurricular activities	606,060	349,652	556,432	400,220
Intergovernmental pass through	36,482	36,482	118,257	118,257
Interest and fiscal charges	383,506	383,506	361,566	361,566
<b>Total expenses</b>	<u>\$ 17,173,344</u>	<u>\$ 14,597,535</u>	<u>\$ 17,202,145</u>	<u>\$ 15,136,971</u>

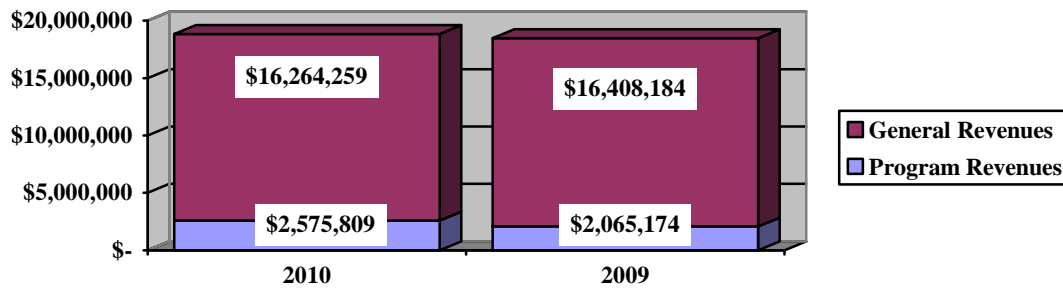
**HURON CITY SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The dependence upon tax and other general revenues for governmental activities is apparent, 90.14% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.00%. The District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on page 15) reported a combined fund balance of \$9,148,758 which is higher than last year's balance of \$7,242,196. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	<u>Increase</u>
General	\$ 6,938,331	\$ 6,124,418	\$ 813,913
Other Governmental	<u>2,210,427</u>	<u>1,117,778</u>	<u>1,092,649</u>
Total	<u>\$ 9,148,758</u>	<u>\$ 7,242,196</u>	<u>\$ 1,906,562</u>

**General Fund**

The District's general fund's fund balance increased by \$813,913.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2010 <u>Amount</u>	2009 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 9,601,403	\$ 10,081,221	\$ (479,818)	(4.76) %
Tuition	92,444	110,352	(17,908)	(16.23) %
Earnings on investments	49,906	124,263	(74,357)	(59.84) %
Intergovernmental	5,340,140	5,197,957	142,183	2.74 %
Other revenues	<u>219,017</u>	<u>142,235</u>	<u>76,782</u>	53.98 %
Total	<u>\$ 15,302,910</u>	<u>\$ 15,656,028</u>	<u>\$ (353,118)</u>	(2.26) %
<b><u>Expenditures</u></b>				
Instruction	\$ 8,491,972	\$ 8,034,463	\$ 457,509	5.69 %
Support services	5,325,774	5,430,935	(105,161)	(1.94) %
Operation of non-instructional services	82,485	69,689	12,796	18.36 %
Extracurricular activities	376,147	354,060	22,087	6.24 %
Debt service	<u>177,230</u>	<u>89,124</u>	<u>88,106</u>	98.86 %
Total	<u>\$ 14,453,608</u>	<u>\$ 13,978,271</u>	<u>\$ 475,337</u>	3.40 %

Revenues of the general fund decreased \$353,118 or 2.26%. The most significant decreases were in the areas of property taxes and earnings on investments. Property taxes decreased \$479,818 or 4.76% due mainly to the State-wide phase out of personal property taxes which decreases about \$434,108. Earnings on investments decreased \$74,357 or 59.84% due to a decrease in interest rates earned on investments.

Expenditures of the general fund increased \$475,337 or 3.40%. The most significant increases were in the areas of instruction and debt service. Instruction expenditures increased \$457,509 or 5.69% due mainly to wage increases for teachers. The \$88,106 increase in debt service expenditures was due to scheduled principal and interest payments on the House Bill (H.B.) 264 school energy conservation bonds.

***General Fund Budgeting Highlights***

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

For the general fund, final budgeted revenues and other financing sources were \$15,500,000, which was higher than the original budgeted revenues estimate of \$14,000,000. Actual revenues and other financing sources for fiscal year 2010 were \$15,385,615. This represents a \$114,385 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$16,246,438 were increased to \$17,246,438 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$14,662,928, which was \$2,583,510 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2010, the District had \$7,535,659 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The following table shows June 30, 2010 balances compared to June 30, 2009:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 424,412	\$ 424,412
Land improvements	633,439	683,576
Building and improvements	5,819,429	5,429,204
Furniture and equipment	309,558	380,830
Vehicles	<u>348,821</u>	<u>165,979</u>
<b>Total</b>	<b><u>\$ 7,535,659</u></b>	<b><u>\$ 7,084,001</u></b>

Total additions to capital assets for fiscal year 2010 were \$849,475. The overall increase in capital assets of \$451,658 is primarily due to the additions exceeding the recording of \$377,468 in depreciation expense for fiscal year 2010 and deletions of \$20,349 (net of accumulated depreciation).

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

***Debt Administration***

At June 30, 2010, the District had \$9,222,311 in general obligation bonds and lease-purchase agreements outstanding. Of this total, \$752,218 is due within one year and \$8,470,093 is due in greater than one year. The following table summarizes the bonds and lease purchase agreements outstanding.

	Governmental	Governmental
	Activities	Activities
	<u>2010</u>	<u>2009</u>
General obligation bonds - Series 1999	\$ -	\$ 135,000
General obligation bonds - Series 2007	3,411,925	3,416,454
HB 264 general obligation bonds - Series 2008	1,525,000	1,595,000
Lease-purchase agreements	<u>4,285,386</u>	<u>2,960,317</u>
<b>Total</b>	<b><u>\$ 9,222,311</u></b>	<b><u>\$ 8,106,771</u></b>

At June 30, 2010, the District's overall legal debt margin was \$25,695,704, and the unvoted debt margin was \$334,883. See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Current Financial Related Activities**

During fiscal year 2010, the District saw the full collection of its levies. The District continues to monitor its programs and enrollment adjusting it as necessary. The District forecasts call for relatively stable enrollment with some modest declines through the next ten years. The District revises its five year forecast, twice annually or if significant change occurs, to reflect new enrollment, staffing and revenue models. Currently, the District does not see the need for new tax monies until at least 2016.

In 2010, the District agreed to a lease purchase agreement for \$1.5 million of ARRA Build America bonds. The purpose was to complete its energy conservation measures begun in fiscal year 2008. This includes new windows and doors at the McCormick Junior High School and the Huron High School. Funds were also used to complete a security upgrade at all buildings to include a fingerprint access system. The cost of this program will be repaid over 15 years from energy cost savings and the general fund. The cost has been reflected in the Five Year forecast. Construction will not start until fiscal year 2011.

In March of 2010 the District received a gift of a wind turbine at its Woodland's building. The District expects to save \$20,000 annually in electric costs, about half, for that building.

The Huron Athletic Boosters began work on new baseball and softball fields on property owned by the District at Woodlands Elementary School. There will be no cost to the District.

In June of 2010 the District agreed in principle to purchase a piece of property adjacent to practice fields at its high school. The cost is expected to be \$66,000 and will be closed in early fiscal year 2011.

The District was rated as Excellent with Distinction for the 2009-2010 School Year.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 9,576,952
Cash in segregated accounts . . . . .	17,372
Receivables:	
Property taxes . . . . .	11,181,771
Accounts . . . . .	5,942
Accrued interest . . . . .	5,407
Intergovernmental . . . . .	171,274
Materials and supplies inventory . . . . .	9,646
Unamortized bond issuance costs . . . . .	175,422
Capital assets:	
Land . . . . .	424,412
Depreciable capital assets, net . . . . .	7,111,247
Capital assets, net . . . . .	7,535,659
 Total assets . . . . .	 28,679,445
 <b>Liabilities:</b>	
Accounts payable . . . . .	30,552
Accrued wages and benefits . . . . .	1,327,430
Pension obligation payable . . . . .	373,600
Intergovernmental payable . . . . .	40,831
Unearned revenue . . . . .	8,890,962
Accrued interest payable . . . . .	29,403
Long-term liabilities:	
Due within one year . . . . .	1,117,756
Due within more than one year . . . . .	9,260,348
 Total liabilities . . . . .	 21,070,882
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	3,074,649
Restricted for:	
Capital projects . . . . .	160,784
Debt service . . . . .	404,404
State funded programs . . . . .	55,062
Federally funded programs . . . . .	38,348
Public school support . . . . .	24,812
Student activities . . . . .	112,470
Other purposes . . . . .	105,784
Unrestricted . . . . .	3,632,250
 Total net assets . . . . .	 \$ 7,608,563

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 7,057,334	\$ 137,475	\$ 60,866	\$ 8,540	\$ (6,850,453)
Special . . . . .	2,227,810	5,967	646,214	-	(1,575,629)
Other . . . . .	79,409	-	63,823	-	(15,586)
Support services:					
Pupil . . . . .	518,882	-	90,615	-	(428,267)
Instructional staff . . . . .	718,625	-	190,101	-	(528,524)
Board of education . . . . .	35,456	-	-	-	(35,456)
Administration . . . . .	1,540,748	-	46,142	902	(1,493,704)
Fiscal . . . . .	524,898	-	2,570	1,629	(520,699)
Operations and maintenance . . . . .	1,562,839	68,591	64,364	93,246	(1,336,638)
Pupil transportation . . . . .	990,100	851	34,103	38	(955,108)
Central . . . . .	4,378	-	216	-	(4,162)
Operation of non-instructional services:					
Other non-instructional services . . . . .	217,063	-	162,039	-	(55,024)
Food service operations . . . . .	669,754	405,445	235,664	-	(28,645)
Extracurricular activities . . . . .	606,060	227,632	28,776	-	(349,652)
Intergovernmental pass through . . . . .	36,482	-	-	-	(36,482)
Interest and fiscal charges . . . . .	383,506	-	-	-	(383,506)
Total governmental activities . . . . .	<u>\$ 17,173,344</u>	<u>\$ 845,961</u>	<u>\$ 1,625,493</u>	<u>\$ 104,355</u>	<u>(14,597,535)</u>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					9,868,957
Debt service . . . . .					330,997
Capital projects . . . . .					433,405
Grants and entitlements not restricted to specific programs . . . . .					5,492,004
Investment earnings . . . . .					50,900
Miscellaneous . . . . .					87,996
Total general revenues . . . . .					<u>16,264,259</u>
Change in net assets . . . . .					1,666,724
<b>Net assets at beginning of year . . . . .</b>					<u>5,941,839</u>
<b>Net assets at end of year . . . . .</b>					<u>\$ 7,608,563</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash			
and investments . . . . .	\$ 7,399,263	\$ 2,151,060	\$ 9,550,323
Cash in segregated accounts . . . . .	17,372	-	17,372
Receivables:			
Property taxes. . . . .	10,461,152	720,619	11,181,771
Accounts. . . . .	5,887	55	5,942
Accrued interest . . . . .	5,407	-	5,407
Interfund loans. . . . .	55,597	-	55,597
Intergovernmental . . . . .	34,876	136,398	171,274
Materials and supplies inventory. . . . .	-	9,646	9,646
Restricted assets:			
Equity in pooled cash			
and cash equivalents . . . . .	26,629	-	26,629
Total assets . . . . .	<u>\$ 18,006,183</u>	<u>\$ 3,017,778</u>	<u>\$ 21,023,961</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 24,459	\$ 6,093	\$ 30,552
Accrued wages and benefits. . . . .	1,281,991	45,439	1,327,430
Compensated absences payable . . . . .	228,383	-	228,383
Interfund loans payable. . . . .	-	55,597	55,597
Intergovernmental payable . . . . .	40,428	403	40,831
Unearned revenue. . . . .	8,318,599	572,363	8,890,962
Deferred revenue . . . . .	851,805	76,043	927,848
Pension obligation payable . . . . .	322,187	51,413	373,600
Total liabilities. . . . .	<u>11,067,852</u>	<u>807,351</u>	<u>11,875,203</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	193,745	365,009	558,754
Reserved for supplies inventory . . . . .	-	9,646	9,646
Reserved for tax revenue			
unavailable for appropriation . . . . .	1,321,795	95,888	1,417,683
Reserved for debt service . . . . .	-	349,107	349,107
Reserved for school bus purchases . . . . .	26,629	-	26,629
Unreserved, undesignated, reported in:			
General fund. . . . .	5,396,162	-	5,396,162
Special revenue funds . . . . .	-	259,629	259,629
Capital projects fund . . . . .	-	1,131,148	1,131,148
Total fund balances . . . . .	<u>6,938,331</u>	<u>2,210,427</u>	<u>9,148,758</u>
Total liabilities and fund balances . . . . .	<u>\$ 18,006,183</u>	<u>\$ 3,017,778</u>	<u>\$ 21,023,961</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

<b>Total governmental fund balances</b>		\$	9,148,758
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,535,659
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	873,126	
Accrued interest receivable		3,166	
Intergovernmental receivable		<u>51,556</u>	
Total			927,848
Unamortized deferred charges on refundings are not recognized in the funds.			143,325
Unamortized premiums on bond issuances are not recognized in the funds.			(298,019)
Unamortized bond issuance costs are not recognized in the funds.			175,422
Accrued interest payable is not due and payable within the current period and is therefore not reported in the funds.			(29,403)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(772,716)	
General obligation bonds		(4,936,925)	
Lease-purchase agreements		<u>(4,285,386)</u>	
Total			<u>(9,995,027)</u>
<b>Net assets of governmental activities</b>		<u>\$</u>	<u>7,608,563</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 9,601,403	\$ 747,829	\$ 10,349,232
Tuition. . . . .	92,444	-	92,444
Transportation fees. . . . .	851	-	851
Earnings on investments . . . . .	49,906	89	49,995
Charges for services . . . . .	-	405,445	405,445
Extracurricular. . . . .	4,348	223,935	228,283
Classroom materials and fees . . . . .	55,159	-	55,159
Rental income . . . . .	68,591	-	68,591
Contributions and donations . . . . .	-	92,476	92,476
Other local revenues . . . . .	90,068	65,711	155,779
Intergovernmental - state . . . . .	5,340,140	380,916	5,721,056
Intergovernmental - federal . . . . .	-	1,345,474	1,345,474
Total revenues . . . . .	<u>15,302,910</u>	<u>3,261,875</u>	<u>18,564,785</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	6,917,619	135,642	7,053,261
Special . . . . .	1,558,833	633,348	2,192,181
Other . . . . .	15,520	63,889	79,409
Support services:			
Pupil . . . . .	416,491	91,534	508,025
Instructional staff . . . . .	540,192	177,051	717,243
Board of education . . . . .	35,456	-	35,456
Administration . . . . .	1,471,183	87,150	1,558,333
Fiscal . . . . .	512,013	13,152	525,165
Operations and maintenance . . . . .	1,453,213	672,187	2,125,400
Pupil transportation . . . . .	892,848	250	893,098
Central . . . . .	4,378	-	4,378
Operation of non-instructional services:			
Other non-instructional servies . . . . .	82,485	133,728	216,213
Food service operations . . . . .	-	645,584	645,584
Extracurricular activities . . . . .	376,147	198,366	574,513
Capital outlay . . . . .	-	239,701	239,701
Debt service:			
Principal retirement. . . . .	111,510	553,122	664,632
Interest and fiscal charges . . . . .	65,720	263,130	328,850
Intergovernmental pass through . . . . .	-	36,482	36,482
Total expenditures . . . . .	<u>14,453,608</u>	<u>3,944,316</u>	<u>18,397,924</u>
Excess/deficiency of revenues over/under expenditures. . . . .	<u>849,302</u>	<u>(682,441)</u>	<u>166,861</u>
<b>Other financing sources (uses):</b>			
Transfers in. . . . .	-	35,389	35,389
Transfers (out) . . . . .	(35,389)	-	(35,389)
Lease purchase transactions. . . . .	-	1,739,701	1,739,701
Total other financing sources (uses) . . . . .	<u>(35,389)</u>	<u>1,775,090</u>	<u>1,739,701</u>
Net change in fund balances . . . . .	813,913	1,092,649	1,906,562
<b>Fund balances at beginning of year . . . . .</b>	<u>6,124,418</u>	<u>1,117,778</u>	<u>7,242,196</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 6,938,331</u>	<u>\$ 2,210,427</u>	<u>\$ 9,148,758</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Net change in fund balances - total governmental funds** \$ 1,906,562

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital outlays	\$	849,475	
Depreciation expense		(377,468)	
Total			472,007

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (20,349)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		284,127	
Tuition		(6,233)	
Earnings on investments		994	
Intergovernmental		24,276	
Total			303,164

Repayment of bond and lease-purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Principal payments during the year were:

Bonds		250,000	
Lease-purchase agreements		414,632	
Total			664,632

Lease-purchase transactions are recorded as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (1,739,701)

In the statement of activities, interest is accrued on outstanding bonds and lease purchase agreements, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:

Increase in accrued interest payable		(12,639)	
Accreted interest on capital appreciation bonds		(40,471)	
Amortization of deferred charges on refundings		(12,006)	
Amortization of bond premium		19,757	
Amortization of bond issuance costs		(9,297)	
Total			(54,656)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 135,065

**Change in net assets of governmental activities** \$ 1,666,724

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 8,731,808	\$ 9,673,043	\$ 9,601,267	\$ (71,776)
Tuition . . . . .	85,005	94,168	93,469	(699)
Transportation fees . . . . .	766	848	842	(6)
Earnings on investments . . . . .	50,179	55,588	55,176	(412)
Extracurricular . . . . .	3,954	4,381	4,348	(33)
Classroom materials and fees . . . . .	50,132	55,536	55,124	(412)
Rental income . . . . .	61,611	68,252	67,746	(506)
Other local revenues . . . . .	81,799	90,616	89,944	(672)
Intergovernmental - state . . . . .	4,850,192	5,373,014	5,333,145	(39,869)
Total revenues . . . . .	<u>13,915,446</u>	<u>15,415,446</u>	<u>15,301,061</u>	<u>(114,385)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,669,641	8,144,382	6,917,886	1,226,496
Special . . . . .	1,806,198	1,917,999	1,629,160	288,839
Other . . . . .	628	666	566	100
Support services:				
Pupil . . . . .	437,417	464,493	394,543	69,950
Instructional staff . . . . .	586,647	622,960	529,146	93,814
Board of education . . . . .	47,559	50,502	42,897	7,605
Administration . . . . .	1,649,092	1,751,169	1,487,453	263,716
Fiscal . . . . .	562,970	597,817	507,789	90,028
Operations and maintenance . . . . .	1,702,394	1,807,769	1,535,530	272,239
Pupil transportation . . . . .	983,367	1,044,236	886,980	157,256
Central . . . . .	2,400	2,549	2,165	384
Operation of non-instructional services . . . . .	90,322	95,913	81,469	14,444
Extracurricular activities . . . . .	420,327	446,345	379,128	67,217
Debt service:				
Principal . . . . .	123,628	131,280	111,510	19,770
Interest and fiscal charges . . . . .	72,862	77,372	65,720	11,652
Total expenditures . . . . .	<u>16,155,452</u>	<u>17,155,452</u>	<u>14,571,942</u>	<u>2,583,510</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(2,240,006)</u>	<u>(1,740,006)</u>	<u>729,119</u>	<u>2,469,125</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	55,534	55,534	55,534	-
Transfers (out) . . . . .	(35,389)	(35,389)	(35,389)	-
Advances in . . . . .	29,020	29,020	29,020	-
Advances (out) . . . . .	(55,597)	(55,597)	(55,597)	-
Total other financing sources (uses) . . . . .	<u>(6,432)</u>	<u>(6,432)</u>	<u>(6,432)</u>	<u>-</u>
Net change in fund balance . . . . .	(2,246,438)	(1,746,438)	722,687	2,469,125
<b>Fund balance at beginning of year . . . . .</b>	<b>6,242,434</b>	<b>6,242,434</b>	<b>6,242,434</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>246,438</b>	<b>246,438</b>	<b>246,438</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 4,242,434</b>	<b>\$ 4,742,434</b>	<b>\$ 7,211,559</b>	<b>\$ 2,469,125</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 20,883	\$ 55,370
Total assets. . . . .	20,883	\$ 55,370
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 55,370
Total liabilities . . . . .	-	\$ 55,370
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	20,883	
Total net assets . . . . .	\$ 20,883	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 21
Gifts and contributions . . . . .	5,534
Total additions . . . . .	5,555
<b>Deductions:</b>	
Scholarships awarded . . . . .	4,046
Change in net assets . . . . .	1,509
<b>Net assets at beginning of year . . . . .</b>	<b>19,374</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 20,883</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

The District operates 4 instructional facilities staffed by 50 classified employees, 92 certified teaching personnel and 12 administrators who provide educational services to 1,478 students from grades K through 12. The District ranks as the 366<sup>th</sup> largest by total enrollment among the 905 public school districts and community schools in the State.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Bay Area Council of Governments (BACG)

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

EHOVE Career Center

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

Northern Ohio Educational Computer Association (NOECA)

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

*RELATED ORGANIZATION*

Huron Public Library

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

*PUBLIC ENTITY RISK POOLS*

Ohio Association of School Business Officials

The District participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11.C. for further information on this group rating plan.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (the "Association") is a public entity risk pool comprised of 14 districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Further information on the Association can be found in Note 11.B.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (c) grants and other resources whose use is restricted to a particular purpose; and (d) food service operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

**D. Basis of Accounting**

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

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis of accounting, the fair value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Erie County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**HURON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2010. All amounts reported in the budgetary statement reflect the original appropriations and the final appropriations, including all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2010, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposit. Investments in STAR Ohio are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$49,906, which includes \$9,671 assigned from other District funds.

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

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

**G. Inventory**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District’s capitalization threshold is \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. The District does not possess infrastructure.

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

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

**I. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service or employees with 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

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

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

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

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

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.D.

**L. Interfund Balances**

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

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

**M. Fund Balance Reserves**

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

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for school bus purchases and the special trust fund (a nonmajor governmental fund).

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

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute. See Note 16 for details.

**Q. Interfund Activity**

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

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

**R. Nonpublic Schools**

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

**S. Intergovernmental Pass-Through Payments**

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

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

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

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 8,676
Management information systems	2,353
Public school preschool	32
Title VI-B	909

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the Title VI-B fund results from both the reporting of short-term interfund loans as a fund liability rather than as an other financing source and adjustments for accrued liabilities. The deficit fund balances in the remaining funds result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

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

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

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

**A. Cash on Hand**

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

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

**B. Cash in Segregated Accounts**

At fiscal year end, \$17,372 was on deposit with Citizen's Bank for a transfer account. This amount is included in the total amount of "Deposits with Financial Institutions".

**C. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$8,576,994. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$6,225,064 of the District's bank balance of \$8,730,551 was exposed to custodial risk as discussed below, while \$2,505,487 was covered by the FDIC.

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

**D. Investments**

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 1,093,558</u>	<u>\$ 1,093,558</u>

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

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

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ <u>1,093,558</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,576,994
Investments	1,093,558
Cash on hand	<u>25</u>
Total	<u>\$ 9,670,577</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 9,594,324
Private-purpose trust fund	20,883
Agency funds	<u>55,370</u>
Total	<u>\$ 9,670,577</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 55,597</u>

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

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

- B.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to nonmajor governmental funds from:	
General fund	<u>\$ 35,389</u>

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The District receives property taxes from Erie County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$1,321,795 in the general fund, \$47,131 in the debt service fund (a nonmajor governmental fund) and \$48,757 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$1,321,659 in the general fund, \$46,799 in the debt service fund (a nonmajor governmental fund) and \$49,059 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 329,468,150	96.68	\$ 329,674,450	98.31
Public utility personal	4,885,600	1.43	5,208,470	1.55
Tangible personal property	<u>6,429,490</u>	<u>1.89</u>	<u>445,690</u>	<u>0.14</u>
Total	<u>\$ 340,783,240</u>	<u>100.00</u>	<u>\$ 335,328,610</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$71.25		\$71.15	
Permanent improvement	3.00		3.00	
Debt service	1.00		0.90	

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

**Governmental activities:**

Property taxes	\$ 11,181,771
Accounts	5,942
Intergovernmental	171,274
Accrued interest	<u>5,407</u>
Total	<u>\$ 11,364,394</u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 424,412	\$ -	\$ -	\$ 424,412
Total capital assets, not being depreciated	<u>424,412</u>	<u>-</u>	<u>-</u>	<u>424,412</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,514,485	-	-	1,514,485
Buildings and improvements	9,334,423	608,774	-	9,943,197
Furniture and equipment	969,806	-	(26,254)	943,552
Vehicles	1,087,313	240,701	-	1,328,014
Total capital assets, being depreciated	<u>12,906,027</u>	<u>849,475</u>	<u>(26,254)</u>	<u>13,729,248</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(830,909)	(50,137)	-	(881,046)
Buildings and improvements	(3,905,219)	(218,549)	-	(4,123,768)
Furniture and equipment	(588,976)	(50,923)	5,905	(633,994)
Vehicles	(921,334)	(57,859)	-	(979,193)
Total accumulated depreciation	<u>(6,246,438)</u>	<u>(377,468)</u>	<u>5,905</u>	<u>(6,618,001)</u>
Governmental activities capital assets, net	<u>\$ 7,084,001</u>	<u>\$ 472,007</u>	<u>\$ (20,349)</u>	<u>\$ 7,535,659</u>

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**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 143,197
Special	39,279

Support services:

Pupil	2,876
Instructional staff	6,437
Administration	21,785
Fiscal	2,930
Operations and maintenance	17,977
Pupil transportation	86,906
Food service operations	25,140
Extracurricular activities	<u>30,941</u>
Total depreciation expense	<u>\$ 377,468</u>

**NOTE 9 - LEASE-PURCHASE AGREEMENT**

During prior fiscal years, the District entered into two lease-purchase agreements with All Points Public Funding, LLC. During fiscal year 2010, the District entered into two lease purchase agreements. These leases meet the criteria of a lease-purchase as defined by FASB Statement No. 13, "Accounting for Leases", which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. The lease entered into during fiscal year 2007 was used to defease the District's lease held by All Points Public Funding, LLC for a new elementary school addition and the lease held by the Huron Athletic Booster, Inc. for stadium renovations. In addition, a portion of the lease was used to purchase computer equipment and a telephone system. The lease entered into during fiscal year 2008 was used to purchase new science labs, equipment and computers. The leases entered into during fiscal year 2010 were used to purchase buses and miscellaneous improvements to school buildings. Capital assets acquired by lease purchases have been capitalized in the amount of \$5,017,918. The fiscal year 2010 lease to purchase miscellaneous improvements to school buildings had unspent proceeds of \$1,393,486 at June 30, 2010. Accumulated depreciation as of June 30, 2010 was \$1,309,601, leaving a current book value of \$3,708,317. Lease-purchase payments for the agreement entered into in 2007 have been reflected as debt service expenditures in the permanent improvement fund (a nonmajor governmental fund). Lease-purchase payments for the agreement entered into in 2008 have been reflected as debt service expenditures in the general and permanent improvement fund (a nonmajor governmental fund). Principal and interest payments in fiscal year 2010 totaled \$41,510 and \$2,113, respectively, in the general fund and \$373,122 and \$129,348, respectively in the permanent improvement fund (a nonmajor governmental fund).

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**NOTE 9 - LEASE-PURCHASE AGREEMENT - (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreements and the present value of the minimum lease payments as of June 30, 2010.

Fiscal Year Ending June 30,	Total
2011	\$ 630,028
2012	593,533
2013	533,721
2014	506,806
2015	453,212
2016 - 2020	1,935,757
2021 - 2023	435,860
Total minimum lease payments	5,088,917
Less: amount representing interest	(803,531)
Present value of minimum lease payments	\$ 4,285,386

**NOTE 10 - LONG-TERM OBLIGATIONS**

**A. Library Improvement Bonds - Series 1999**

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

During fiscal year 2008, the District advance refunded the callable portion (\$3,380,000) of the current interest bonds. Interest payments on the remaining current interest bonds are due on June 1 and December 1 of each year. There were no future payments required on these bonds.

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

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

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

**B. Library Refunding Bonds - Series 2007**

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

The refunding issue is comprised of both current interest bonds, par value \$3,180,000 and capital appreciation bonds, par value \$199,997. The capital appreciation bonds mature December 1, 2014, December 1, 2015 and December 1, 2016 (stated interest rate 15.78%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$660,000. Total accreted interest of \$96,928 has been included in the statement of net assets at June 30, 2010.

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

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

	Balance			Balance	Amounts
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Due in</u>
					<u>One Year</u>
Series 2007, library refunding current interest bonds - 4.0% 12/01/25 maturity	\$ 3,160,000	\$ -	\$ (45,000)	\$ 3,115,000	\$ 185,000
Series 2007, library refunding capital appreciation bonds 15.78% (stated interest), 12/1/14, 12/1/15 and 12/1/16 maturity	199,997	-	-	199,997	-
Series 2007, library refunding capital appreciation bonds accrued interest	<u>56,457</u>	<u>40,471</u>	<u>-</u>	<u>96,928</u>	<u>-</u>
<b>Total</b>	<u>\$ 3,416,454</u>	<u>\$ 40,471</u>	<u>\$ (45,000)</u>	<u>\$ 3,411,925</u>	<u>\$ 185,000</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$164,630. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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

Fiscal Year <u>Ending June 30,</u>	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Library Refunding Bonds (Series 2007)</u>			<u>Library Refunding Bonds (Series 2007)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 185,000	\$ 120,900	\$ 305,900	\$ -	\$ -	\$ -
2012	195,000	113,300	308,300	-	-	-
2013	205,000	105,300	310,300	-	-	-
2014	210,000	97,000	307,000	-	-	-
2015	-	92,800	92,800	76,637	143,363	220,000
2016 - 2020	685,000	423,500	1,108,500	123,360	316,640	440,000
2021 - 2025	1,335,000	197,500	1,532,500	-	-	-
2026	<u>300,000</u>	<u>6,000</u>	<u>306,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 3,115,000</u>	<u>\$ 1,156,300</u>	<u>\$ 4,271,300</u>	<u>\$ 199,997</u>	<u>\$ 460,003</u>	<u>\$ 660,000</u>

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

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

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 85,000	\$ 62,470	\$ 147,470
2012	85,000	59,707	144,707
2013	90,000	56,945	146,945
2014	95,000	54,020	149,020
2015	95,000	50,933	145,933
2016 - 2020	545,000	192,900	737,900
2021 - 2024	<u>530,000</u>	<u>62,100</u>	<u>592,100</u>
Total	<u>\$ 1,525,000</u>	<u>\$ 539,075</u>	<u>\$ 2,064,075</u>

**D.** During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due in One Year
<b>Governmental activities:</b>					
General obligation bonds - Series 1999	\$ 135,000	\$ -	\$ (135,000)	\$ -	\$ -
General obligation bonds - Series 2007	3,416,454	40,471	(45,000)	3,411,925	185,000
H.B. 264 Bonds - Series 2008	1,595,000	-	(70,000)	1,525,000	85,000
Lease-purchase agreements	2,960,317	1,739,701	(414,632)	4,285,386	482,218
Compensated absences	<u>1,089,987</u>	<u>176,564</u>	<u>(265,452)</u>	<u>1,001,099</u>	<u>365,538</u>
Total long-term obligations, governmental activities	<u>\$ 9,196,758</u>	<u>\$ 1,956,736</u>	<u>\$ (930,084)</u>	10,223,410	<u>\$ 1,117,756</u>
			Less: Deferred charge on refunding	(143,325)	
			Add: Unamortized premium	<u>298,019</u>	
				<u>\$ 10,378,104</u>	

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

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

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

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$25,695,704 (including available funds of \$396,238) and an unvoted debt margin of \$334,883.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In fiscal year 2010, the District added a rider to its policies to cover the District in the event of a violent action. The District also carries an umbrella policy for additional liability protection. All other coverages remained the same or increased to reflect increases in property value.

**B. Health Benefits**

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

For fiscal year 2010, the District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniserve provides administrative, cost control and actuarial services to the GRP.

**D. Unemployment Compensation**

For fiscal year 2010, the District maintained a self-insurance program for Unemployment Compensation. The firm of Sheakley Uniserve provides administrative, cost control and actuarial services to the GRP. Claims for the year were less than \$2,000.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$294,323, \$196,622 and \$175,727, respectively; 43.52 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

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

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$813,783, \$758,320 and \$752,364, respectively; 83.32 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$7,635 made by the District and \$5,454 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$43,359, \$128,351 and \$119,183, respectively; 43.52 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$17,503, \$16,223 and \$12,662, respectively; 43.52 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$62,599, \$58,332 and \$57,874, respectively; 83.32 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 722,687
Net adjustment for revenue accruals	1,849
Net adjustment for expenditure accruals	(95,998)
Net adjustment for other sources/uses	(28,958)
Adjustment for encumbrances	<u>214,333</u>
GAAP basis	<u>\$ 813,913</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 16 - STATUTORY RESERVES**

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

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

During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbook/ Instructional <u>Materials</u>	Capital Maintenance <u>Reserve</u>
Set-aside balance as of June 30, 2009	\$ (1,360,467)	\$ (1,625,929)
Current year set-aside requirement	243,609	243,609
Current year offsets	-	(422,087)
Current year offset-debt related levy for capital	-	(322,732)
Qualifying expenditures	<u>(309,251)</u>	<u>-</u>
Total	<u>\$ (1,426,109)</u>	<u>\$ (2,127,139)</u>
Balance carried forward to fiscal year 2011	<u>\$ (1,426,109)</u>	<u>\$ (1,948,661)</u>

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

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

A schedule of the governmental fund restricted assets at June 30, 2010 follows:

Amount restricted for school bus purchases	<u>\$ 26,629</u>
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