



Dave Yost • Auditor of State

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hardin-Houston Local School District
Shelby County
5300 Houston Road
Houston, Ohio 45333

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin-Houston Local School District, Shelby County, Ohio (the School District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin-Houston Local School District, Shelby County, Ohio, as of June 30, 2014 and 2013 and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the fiscal year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 21, 2014

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**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

This discussion and analysis of the Hardin Houston Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2014 are as follows:

- Net position of governmental activities increased \$595,755 from prior year.
- Of the School District's \$9,391,710 in cash disbursements, \$1,862,574 or 20 percent of the disbursements were offset by program receipts.
- Among major funds, the General Fund had \$8,135,030 in receipts and \$7,783,682 in disbursements. The General Fund's balance increased \$354,376 from 2013.
- While the Building Construction Fund remained a major fund due to the cash balance in the fund, limited activity occurred in it during fiscal year 2014.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting.

This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School 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 position and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides.

Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and Building Construction Project Capital Projects Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013 on a cash basis:

	Net Position	
	Governmental Activities	
	2013	2014
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$3,744,138	\$4,339,893
Net Position:		
Restricted for:		
Capital Projects	\$818,048	\$943,393
Debt Service	357,103	415,514
School Bus Purchases	64,358	64,358
Other Purposes	493,960	551,583
Unrestricted	2,010,669	2,365,045
Total Net Position	\$3,744,138	\$4,339,893

As mentioned previously, net position of governmental activities increased \$595,755 during fiscal year 2014. Unrestricted net position increased \$354,376 as a result of general operating receipts exceeding disbursements. This followed a decrease of \$214,279 for fiscal year 2013. Net position restricted for capital projects decreased as monies for the building construction project were spent. Net position restricted for school bus purchases remained the same as no additional monies were received in fiscal year 2014 and no money was spent in fiscal year 2014. Net position for other purposes increased primarily due to increases in net position in the capital maintenance fund.

Table 2 reflects the changes in net position for fiscal year 2014 and fiscal year 2013.

(Table 2)
Changes in Net Position

	Governmental Activities 2013	Governmental Activities 2014
	Receipts:	
Program Receipts:		
Charges for Services	\$1,187,866	\$1,364,564
Operating Grants and Contributions	497,043	498,010
Total Program Receipts	1,684,909	1,862,574
General Receipts:		
Property Taxes	2,427,377	2,417,562
Income Taxes	697,702	747,067
Grants and Entitlements Not Restricted to Specific Programs	4,424,065	4,747,622
All Other Categories	63,959	212,640
Total General Receipts	7,613,103	8,124,891
Total Receipts	9,298,012	9,987,465

(Continued)

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

**(Table 2)
Changes in Net Position
(Continued)**

	Governmental Activities 2013	Governmental Activities 2014
Disbursements:		
Instruction	4,781,645	4,954,267
Support Services:		
Pupils and Instructional Staff	941,200	1,027,367
Board of Education, Administration, Fiscal and Business	824,027	808,860
Operation and Maintenance of Plant	655,132	780,558
Pupil Transportation	576,027	567,408
Central	22,824	15,470
Operation of Non-Instructional Services	248,864	257,370
Extracurricular Activities	203,036	203,354
Capital Outlay	583,349	124,300
Debt Service	676,187	652,756
Total Disbursements	9,512,291	9,391,710
Increase (Decrease) in Net Position	(214,279)	595,755
Net Position, Beginning of Year	3,958,417	3,744,138
Net Position, End of Year	\$3,744,138	\$4,339,893

Increases to charges for services revenue was primarily the result of open enrollment receipts increases in the amount \$69,366 and SF-14 tuition increases for the amount \$108,230.

Income tax receipts increased \$49,365 for fiscal year 2014. Income taxes receipts are split between the general fund and the permanent improvement fund.

The increase in the all other categories of revenue was the result of the sale of Hardin Property. The School District sold the property during fiscal year 2014 for \$165,000.

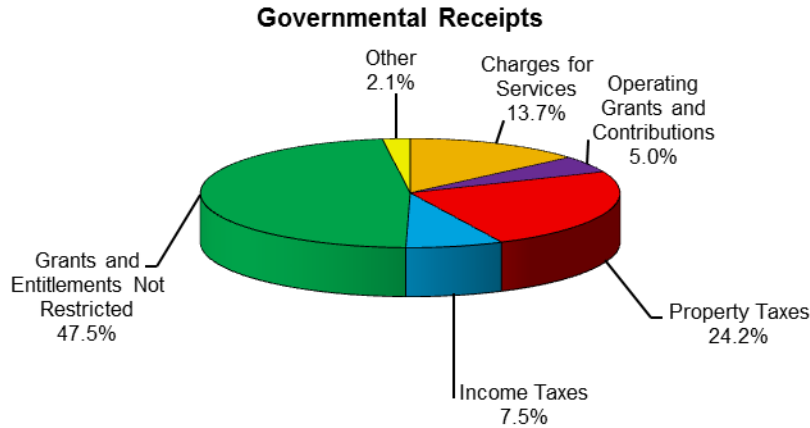
Disbursements remained stable for fiscal year 2014, decreased only 1.3%.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

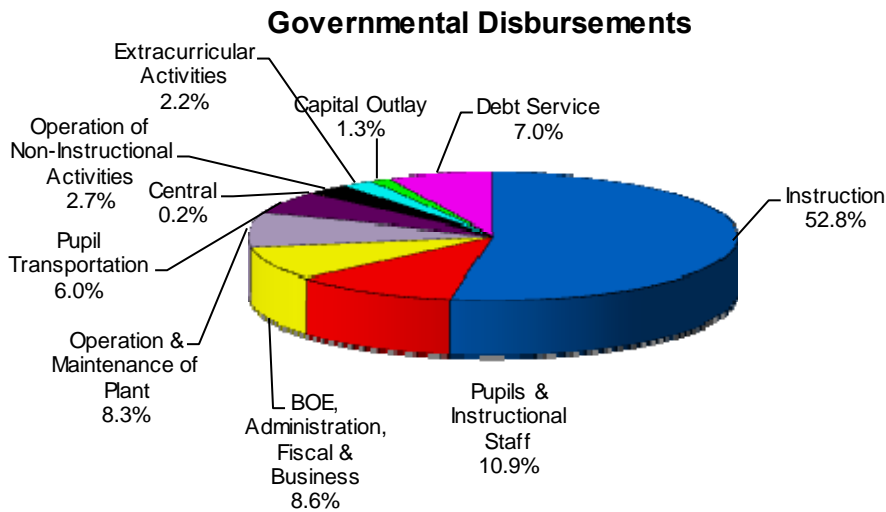
**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. For fiscal year 2014, property and income taxes make up 31.7% of the School District's receipts. Grants and entitlements not restricted consists largely of state foundation monies.



Instruction comprises 52.8% of the School District's disbursements while support services typically make up 34.1% of disbursements.



If you look at the statement of activities on page 14, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

(Table 3)
Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	\$4,781,645	(\$3,622,411)	\$4,954,267	(\$3,619,261)
Support Services:				
Pupils and Instructional Staff	941,200	(757,319)	1,027,367	(839,308)
Board of Education, Administration, Fiscal and Business	824,027	(824,027)	808,860	(808,860)
Operation and Maintenance of Plant	655,132	(633,951)	780,558	(757,963)
Pupil Transportation	576,027	(576,027)	567,408	(561,808)
Central	22,824	(22,824)	15,470	(15,470)
Operation of Non-Instructional Services	248,864	20,267	257,370	(6,491)
Extracurricular Activities	203,036	(151,554)	203,354	(142,919)
Capital Outlay	583,349	(583,349)	124,300	(124,300)
Debt Service	676,187	(676,187)	652,756	(652,756)
Total Disbursements	<u>\$9,512,291</u>	<u>(\$7,827,382)</u>	<u>\$9,391,710</u>	<u>(\$7,529,136)</u>

The dependence upon state foundation and property and income tax receipts is apparent from the large amounts for the net cost of services. Operation of non-instructional services has a positive net cost of service in 2013. This represents the food service program.

The School District's Funds

Total governmental funds had receipts of \$9,987,465 and disbursements of \$9,391,710. The fund balance of the General Fund increased \$354,376. The increases in open enrollment and SF-14 receipts contributed to the increase.

The fund balance of the Building Construction Project Fund decreased \$86,892 due to disbursements for the construction of the new building. The building was opened for the start of the fiscal year 2012 school year and project is now in the wrap-up stage.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon 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, the final budget basis revenue estimate was \$7,594,200, which was the same as the original. Intergovernmental revenue received in fiscal year 2014 was \$246,791 higher than anticipated. Tuition and fees actual revenue was \$200,950 higher than anticipated due to open enrollment and SF 14 revenues.

During fiscal year 2014, the School District closely monitored expenditures so that expenditures were \$531,162 less than appropriations. Increases in appropriations were primarily for regular instruction.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Capital Assets and Debt Administration

Capital Assets

The School District does not currently report its capital assets and infrastructure; however, it tracks its capital assets for insurance purposes.

Debt

At June 30, 2014, the School District had \$8,526,180 in debt outstanding. The capital facilities bonds were issued for \$9,204,996 in fiscal year 2009 and will be paid off in fiscal year 2037.

**Table 5
Outstanding Debt at June 30,**

	Amount Outstanding 6/30/2013	Amount Outstanding 6/30/2014	Amount Due in One Year
Governmental Activities			
Classroom Facilities			
Improvement Bonds - 3.0-5.5%			
Serial Bonds	\$4,580,000	\$4,335,000	\$255,000
Term Bonds	3,750,000	3,750,000	
Capital Appreciation Bonds	367,684	441,180	
Total Governmental Activities			
Long-Term Liabilities	<u>\$8,697,684</u>	<u>\$8,526,180</u>	<u>\$255,000</u>

The School District's overall debt margin was \$678,475, the voted debt margin was \$584,761 and the unvoted debt margin was \$93,714 at June 30, 2014.

For more information on the School District's debt, see Note 10 of the Basic Financial Statements.

Current Issues

The School District historically fluctuates back and forth of a break-even point over the past several years. The administration and the board of education continue to closely monitor State funding as there continues to be a reliance on the local taxpayer to maintain current levels of funding. This requires management to plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years.

On August 5, 2008, the voters of the School District approved a 7.05 mill levy. A portion of the levy, 6.55 mills, is a bond levy that was used to pay for the local portion, \$9,209,676, needed to build the new K-12 facility. The remaining portion, \$13,814,515 was approved for the School District by the Ohio School Facilities Commission. The ground breaking began in the late summer of 2009. The remaining portion of the levy .5 mills will generate funds needed to help maintain the new facility. The new facility was opened for the start of the fiscal year 2012 school year.

The School District has received an AA- bond rating from Standard and Poor's.

In conclusion, the Hardin Houston Local School District continues to be committed to financial as well as educational excellence. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Amy Ayers, 5300 Houston Road, Houston, OH 45333 or e-mail at aayers@houston.k12.oh.us.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$4,339,893</u></u>
Net Position:	
Restricted for:	
Capital Projects	\$943,393
Debt Service	415,514
School Bus Purchases	64,358
Other Purposes	551,583
Unrestricted	<u>2,365,045</u>
Total Net Position	<u><u>\$4,339,893</u></u>

See accompanying notes to the basic financial statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,023,064	\$1,188,456	\$47,535	(\$2,787,073)
Special	749,055		89,056	(659,999)
Vocational	108,953		9,959	(98,994)
Student Intervention Services	2,912			(2,912)
Other	70,283			(70,283)
Support Services:				
Pupil	857,155	9,845	177,214	(670,096)
Instructional Staff	170,212		1,000	(169,212)
Board of Education	7,616			(7,616)
Administration	548,535			(548,535)
Fiscal	251,492			(251,492)
Business	1,217			(1,217)
Operation and Maintenance of Plant	780,558	22,595		(757,963)
Pupil Transportation	567,408	5,600		(561,808)
Central	15,470			(15,470)
Operation of Non-Instructional Services	257,370	83,406	167,473	(6,491)
Extracurricular Activities	203,354	54,662	5,773	(142,919)
Capital Outlay	124,300			(124,300)
Principal Retirement	245,000			(245,000)
Interest and Fiscal Charges	407,756			(407,756)
Total Governmental Activities	\$9,391,710	\$1,364,564	\$498,010	(7,529,136)
General Receipts:				
Property Taxes Levied for:				
General Purposes				1,748,149
Capital Maintenance				38,714
Debt Service				630,699
Income Taxes Levied for General Purposes				498,045
Income Taxes Levied for Capital Outlay				249,022
Grants and Entitlements not Restricted to Specific Programs				4,747,622
Interest				5,898
Miscellaneous				206,742
Total General Receipts				8,124,891
Change in Net Position				595,755
Net Position Beginning of Year				3,744,138
Net Position End of Year				\$4,339,893

See accompanying notes to the basic financial statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Building Construction Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,365,045	\$501,943	\$1,408,547	\$4,275,535
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	64,358			64,358
Total Assets	<u>\$2,429,403</u>	<u>\$501,943</u>	<u>\$1,408,547</u>	<u>\$4,339,893</u>
Fund Balances:				
Restricted	\$64,358	\$501,943	\$1,408,547	\$1,974,848
Assigned	23,447			23,447
Unassigned	2,341,598			2,341,598
Total Fund Balances	<u>\$2,429,403</u>	<u>\$501,943</u>	<u>\$1,408,547</u>	<u>\$4,339,893</u>

See accompanying notes to the basic financial statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Building Construction Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$1,748,149		\$669,413	\$2,417,562
Income Taxes	498,045		249,022	747,067
Intergovernmental	4,637,291		580,107	5,217,398
Interest	5,534	\$235	533	6,302
Tuition and Fees	1,190,950			1,190,950
Extracurricular Activities	9,845		54,662	64,507
Contributions and Donations	4,121		23,909	28,030
Charges for Services	306		105,601	105,907
Rent	400			400
Miscellaneous	40,389		1,000	41,389
Total Receipts	<u>8,135,030</u>	<u>235</u>	<u>1,684,247</u>	<u>9,819,512</u>
Disbursements				
Current:				
Instruction:				
Regular	3,987,874		35,190	4,023,064
Special	660,046		89,009	749,055
Vocational	108,953			108,953
Student Intervention Services	2,912			2,912
Other	70,283			70,283
Support Services:				
Pupil	683,862		173,293	857,155
Instructional Staff	169,212		1,000	170,212
Board of Education	7,616			7,616
Administration	548,535			548,535
Fiscal	230,906		20,586	251,492
Business	1,217			1,217
Operation and Maintenance of Plant	669,194		111,364	780,558
Pupil Transportation	471,307		96,101	567,408
Central	15,470			15,470
Operation of Non-Instructional Services			257,370	257,370
Extracurricular Activities	141,122		62,232	203,354
Capital Outlay	15,173	87,127	22,000	124,300
Debt Service:				
Principal Retirement			245,000	245,000
Interest and Fiscal Charges			407,756	407,756
Total Disbursements	<u>7,783,682</u>	<u>87,127</u>	<u>1,520,901</u>	<u>9,391,710</u>
Excess of Receipts Over (Under) Disbursements	<u>351,348</u>	<u>(86,892)</u>	<u>163,346</u>	<u>427,802</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	18,028		149,925	167,953
Transfers In			15,000	15,000
Transfers Out	(15,000)			(15,000)
Total Other Financing Sources (Uses)	<u>3,028</u>		<u>164,925</u>	<u>167,953</u>
Net Change in Fund Balances	354,376	(86,892)	328,271	595,755
Fund Balances Beginning of Year	<u>2,075,027</u>	<u>588,835</u>	<u>1,080,276</u>	<u>3,744,138</u>
Fund Balances End of Year	<u>\$2,429,403</u>	<u>\$501,943</u>	<u>\$1,408,547</u>	<u>\$4,339,893</u>

See accompanying notes to the basic financial statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts:				
Property Taxes	\$1,754,000	\$1,754,000	\$1,748,149	(\$5,851)
Income Taxes	450,000	450,000	498,045	48,045
Intergovernmental	4,390,500	4,390,500	4,637,291	246,791
Interest	4,500	4,500	5,534	1,034
Tuition and Fees	990,000	990,000	1,190,950	200,950
Contributions and Donations	200	200	400	200
Rent			200	200
Charges for Services			306	306
Miscellaneous	5,000	5,000	13,626	8,626
Total Revenues	<u>7,594,200</u>	<u>7,594,200</u>	<u>8,094,501</u>	<u>500,301</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,054,500	4,419,500	3,987,874	431,626
Special	589,815	689,815	662,298	27,517
Vocational	95,320	95,320	108,953	(13,633)
Student Intervention Services	4,130	4,130	2,912	1,218
Other	100,000	100,000	70,283	29,717
Support Services:				
Pupils	707,180	707,180	674,052	33,128
Instructional Staff	179,690	179,690	171,091	8,599
Board of Education	7,870	7,870	7,616	254
Administration	569,370	569,370	552,205	17,165
Fiscal	229,849	229,849	230,906	(1,057)
Business	1,200	1,200	1,217	(17)
Operation and Maintenance of Plant	660,354	660,354	671,144	(10,790)
Pupil Transportation	474,970	474,970	471,345	3,625
Central	17,150	17,150	15,470	1,680
Extracurricular Activities	152,800	152,800	141,122	11,678
Capital Outlay	5,625	5,625	15,173	(9,548)
Total Disbursements	<u>7,849,823</u>	<u>8,314,823</u>	<u>7,783,661</u>	<u>531,162</u>
Excess of Revenues Over (Under) Disbursements	(255,623)	(720,623)	310,840	1,031,463
Other Financing Source (Uses)				
Refund of Prior Year Disbursement	2,000	2,000	26,763	24,763
Proceeds from Sale of Capital Assets			18,028	18,028
Transfers Out		(15,000)	(15,000)	
Total Other Financing Sources (Uses)	<u>2,000</u>	<u>(13,000)</u>	<u>29,791</u>	<u>42,791</u>
Net Change in Fund Balances	(253,623)	(733,623)	340,631	1,074,254
Fund Balance at Beginning of Year	1,993,977	1,993,977	1,993,977	
Prior Year Encumbrances Appropriated	68,503	68,503	68,503	
Fund Balance at End of Year	<u>\$1,808,857</u>	<u>\$1,328,857</u>	<u>\$2,403,111</u>	<u>\$1,074,254</u>

See Accompanying Notes to the Basic Financial Statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$2,367	\$40,583
Net Position:		
Restricted for Students		40,583
Held in Trust for Scholarships	2,367	
Total Net Position	\$2,367	\$40,583

See accompanying notes to the basic financial statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
Additions:	
Miscellaneous	<u>\$1,800</u>
Deductions:	
Scholarships	<u>900</u>
Change in Net Position	900
Net Position - Beginning of Year	<u>1,467</u>
Net Position - End of Year	<u><u>\$2,367</u></u>

See accompanying notes to the basic financial statements.

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**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. REPORTING ENTITY

Hardin-Houston Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in Shelby County. The School District is staffed by 37 non-certificated employees, 53 certificated full-time teaching personnel who provide services to 935 students and other community members. The School District currently operates one instructional/support buildings.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Hardin Houston Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization (WOCO)
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Southwestern Ohio Instructional Technology Association (SOITA)

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium
- Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

1. REPORTING ENTITY (Continued)

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. However, the School District does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Building Construction Project Fund – The Building Construction Project Capital Projects Fund accounts for the State share and the Local share of the Ohio School Facilities Commission project and the related expenses. The School District built a new K-12 facility.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds

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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds, except the General Fund. The legal level of control for this fund is at the object level within the fund. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2014, the School District invested in certificates of deposit and the Fifth Third Institutional Government Money Market Fund. Investments are reported at market value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 was \$5,534, which included \$1,401 assigned from other School District funds.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or 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 law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of buses.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net positions are available. The School District did not have net position restricted by enabling legislation at June 30, 2014.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, unassigned) amounts are available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (Non GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is:

- 1) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (modified cash basis) and
- 2) Perspective differences resulting from differences in fund structure.

Cash Basis	\$354,376
Encumbrances	(10,951)
Perspective Differences	<u>(2,794)</u>
Budgetary Basis	<u><u>\$340,631</u></u>

4. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred 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 rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover its deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$3,751,086 and the bank balance was \$3,883,869. \$927,944 of the School District's deposits was insured by federal depository insurance. As of June 30, 2014, \$2,955,925 of the School District's bank balance of \$3,883,869 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The School District had the following investments at fiscal year-end:

<u>Type of Investment</u>	<u>Maturity / Call Date</u>	<u>Fair Value</u>
Fifth Third Institutional Government Money Market Fund	51 days	\$631,757

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The investment in Fifth Third Institutional Government Money Market Fund is rated AAAM by Standard & Poor's.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. More than 5 percent of the School District's investments are in the following:

<u>Type of Investment</u>	<u>Percentage</u>
Fifth Third Institutional Government Money Market Fund	100.00%

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The federal agency securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

5. PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility 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.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. PROPERTY TAXES (Continued)

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.

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$96,039,620	96.40%	\$93,713,810	96.31%
Public Utility Personal	3,588,500	3.60%	3,588,500	3.69%
Total	<u>\$99,628,120</u>	<u>100.00%</u>	<u>\$97,302,310</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$35.37		\$35.37	

6. INCOME TAXES

The School District levies a voted tax of three-fourths of one percent for general operations on the income of residents and of estates. Income tax revenue is credited to the General Fund (one-half of one percent) and the Permanent Improvement Capital Projects Fund (one-fourth of one percent). The General Fund tax was effective on January 1, 1991, and the Permanent Improvement Capital Projects Fund tax was effective on January 1, 1997. Both are continuing taxes. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

7. RISK MANAGEMENT

A. Property and Liability

The School 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. During fiscal year 2014, the School District joined together with other school districts in Ohio to participate in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (See Note 13). The School District pays this annual premium to Southwestern Ohio Educational Purchasing Council who in turns pays Arthur Gallagher Risk Management Services Inc.

Insurance coverage provided includes the following:

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. RISK MANAGEMENT (Continued)

Building and Contents-replacement cost (\$1,000 deductible)	\$32,927,020
Inland Marine Coverage (\$1,000 deductible)	Actual
Money and Securities	500,000
Automobile Liability (\$1000 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$1000 deductible)	1,000,000
Comprehensive Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
General Liability Umbrella Policy	5,000,000
Crime/Employee Dishonesty (\$1000 deductible)	500,000
Education General Liability:	
Each Occurrence	1,000,000
Medical Expense-Any One Person/Each Accident	5,000
General Aggregate Limit	3,000,000
Employee Benefits Liability (\$1,000 deductible):	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability:	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change in insurance coverage from the last fiscal year.

B. Workers' Compensation

For fiscal year 2014, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent of annual covered salary. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$112,132, \$98,847, and \$97,623, respectively; 75.88 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The School 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.

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.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

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 the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School 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 School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$390,750, \$404,819, \$420,960, respectively; 83.71 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, four members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

9. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,505, \$5,584, and \$5,765, and respectively; 75.88 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14 percent. 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 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$13,483, \$15,505, and \$16,529, respectively; 75.88 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The SERS 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 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 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 or by calling (888) 227-7877.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$30,058, \$31,140, and \$32,382, respectively; 83.71 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

10. DEBT

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/2013	Additions	Deletions	Amount Outstanding 6/30/2014	Amount Due in One Year
Governmental Activities					
Classroom Facilities Improvement Bonds - 3.0-5.5%					
Serial Bonds	\$4,580,000		(\$245,000)	\$4,335,000	\$255,000
Term Bonds	3,750,000			3,750,000	
Capital Appreciation Bonds	367,684	\$73,496		441,180	
Total Governmental Activities					
Long-Term Liabilities	<u>\$8,697,684</u>	<u>\$73,496</u>	<u>(\$245,000)</u>	<u>\$8,526,180</u>	<u>\$255,000</u>

On December 23, 2008, the School District issued \$9,204,996 in Classroom Facilities Improvement Bonds. The bonds had a premium of \$274,769 and issuance costs of \$192,883. Of the bonds, \$5,275,000 is serial bonds with interest rates from 3% to 4.5% with a final maturity December 1, 2021. \$3,750,000 is term bonds (\$1,975,000 with a 5.25% interest rate maturing on December 1, 2033 and \$1,775,000 with a 5.5% interest rate maturing on December 1, 2036). \$179,996 is capital appreciation bonds (maturity amount of \$275,000 on December 2016, 2017, and 2018).

The term bonds due December 1, 2033, are subject to mandatory sinking fund redemption as follows:

Year	Amount to be Redeemed
2030	\$455,000
2031	480,000
2032	505,000

The remaining \$535,000 principal amount of the bonds due December 1, 2033, is to be paid at stated maturity.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEBT (Continued)

The term bonds due December 1, 2036, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2034	\$560,000
2035	590,000

The remaining \$625,000 principal amount of the bonds due December 1, 2036, is to be paid at stated maturity. The bonds will be paid from the Bond Retirement Debt Service Fund.

The School District's overall debt margin was \$678,475, the voted debt margin was \$584,761 and the un-voted debt margin was \$93,714 at June 30, 2014.

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Capital Facilities Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$255,000	\$399,006
2016	265,000	389,575
2017	70,524	589,082
2018	59,417	600,190
2019	50,055	609,551
2020-2024	1,495,000	1,764,440
2025-2029	1,885,000	1,360,188
2030-2034	2,410,000	817,018
2035-2037	1,775,000	150,012
Subtotal	8,264,996	6,679,062
Accretion	261,184	(261,184)
Total	<u>\$8,526,180</u>	<u>\$6,417,878</u>

11. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Building Construction Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Food Service Operations			\$207,381	\$207,381
Chamber of Commerce Grant			2,360	2,360
Classroom Maintenance			289,658	289,658
Athletics			18,263	18,263
Bus Purchases	\$64,358			64,358
Capital Improvements		\$501,943	441,450	943,393
Debt Service			415,514	415,514
State and Federal Grants			16,501	16,501
M.H. Jennings Grant			16,646	16,646
Copeland/Walmart Grant			774	774
Total Restricted	<u>64,358</u>	<u>501,943</u>	<u>1,408,547</u>	<u>1,974,848</u>
Assigned for:				
Unpaid Obligations	10,951			10,951
Public School Support	12,496			12,496
Total Assigned	<u>23,447</u>			<u>23,447</u>
Unassigned	2,341,598			2,341,598
Total Fund Balance	<u>\$2,429,403</u>	<u>\$501,943</u>	<u>\$1,408,547</u>	<u>\$4,339,893</u>

12. SET-ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula 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 fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2014.

	<u>Capital Acquisitions</u>
Set-aside Reserve Balance as of June 30, 2013	
Current Year Set-aside Requirement	\$152,862
Current Year Offsets	(152,862)
Set-aside Balances	<u>\$0</u>
Amount of Set-aside Carried Forward to Future Fiscal Years	<u>\$0</u>

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Western Ohio Computer Organization - The Hardin-Houston Local School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of MDECA consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$83,954 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 128 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2014, the School District paid \$42,861 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2014, the School District paid \$0 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During 2014, the School District paid \$834,118 for benefits. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2014, the School District paid \$42,203 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

14. INTERFUND

During fiscal year 2014, the General Fund transferred \$15,000 to the Athletic Fund to provide support needed.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. CONTINGENT LIABILITIES

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

16. CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2014, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees."* GASB *Statement No. 70* provides guidance for reporting financial guarantees that are non-exchange transactions extended or received by a state or local government. The implementation of this statement had no effect on the School District.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

This discussion and analysis of the Hardin Houston Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2013 are as follows:

- Net position of governmental activities decreased \$214,279 from prior year.
- Of the School District's \$9,512,291 in cash disbursements, \$1,684,909 or 18 percent of the disbursements were offset by program receipts.
- Among major funds, the General Fund had \$7,610,086 in receipts and \$7,441,784 in disbursements. The General Fund's balance increased \$168,302 from 2012.
- During fiscal year 2012, the School District finished the construction of a new K-12 facility. The School District received \$11,813 during fiscal year 2013 from the State of Ohio through the School Facilities Commission program for the construction project. Cash disbursements decreased as the project draws to a close.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting.

This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School 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 position and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides.

Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and Building Construction Project Capital Projects Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012 on a cash basis:

	Governmental Activities	
	2012	2013
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$3,698,343	\$3,744,138
Cash and Cash Equivalents with Escrow Accounts	260,074	
Total Assets	<u>\$3,958,417</u>	<u>\$3,744,138</u>
Net Position:		
Restricted for:		
Capital Projects	\$1,325,826	\$818,048
Debt Service	294,724	357,103
School Bus Purchases	64,358	64,358
Other Purposes	431,142	493,960
Unrestricted	1,842,367	2,010,669
Total Net Position	<u>\$3,958,417</u>	<u>\$3,744,138</u>

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

As mentioned previously, net position of governmental activities decreased \$214,279 during fiscal year 2013. Unrestricted net position increased \$168,302 as a result of general operating receipts exceeding disbursements. Net position restricted for capital projects decreased as monies for the building construction project were spent. Net position restricted for school bus purchases remained the same as no additional monies were received in fiscal year 2013 and no money was spent in fiscal year 2013. Net position for other purposes increased due to increases in net position in the cafeteria fund and the capital maintenance fund.

Table 2 reflects the changes in net position for fiscal year 2013 and fiscal year 2012.

**(Table 2)
Changes in Net Position**

	Governmental Activities 2012	Governmental Activities 2013
Receipts:		
Program Receipts:		
Charges for Services	\$1,435,149	\$1,187,866
Operating Grants and Contributions	767,253	497,043
Capital Grants and Contributions	298,477	
Total Program Receipts	<u>2,500,879</u>	<u>1,684,909</u>
General Receipts:		
Property Taxes	2,324,373	2,427,377
Income Taxes	694,662	697,702
Grants and Entitlements Not Restricted to Specific Programs	4,347,777	4,424,065
All Other Categories	84,596	63,959
Total General Receipts	<u>7,451,408</u>	<u>7,613,103</u>
Total Receipts	<u>9,952,287</u>	<u>9,298,012</u>
Disbursements:		
Instruction	4,691,818	4,781,645
Support Services:		
Pupils and Instructional Staff	981,366	941,200
Board of Education, Administration, Fiscal and Business	837,371	824,027
Operation and Maintenance of Plant	722,107	655,132
Pupil Transportation	445,842	576,027
Central	5,565	22,824
Operation of Non-Instructional Services	257,561	248,864
Extracurricular Activities	209,955	203,036
Capital Outlay	4,876,724	583,349
Debt Service	704,808	676,187
Total Disbursements	<u>13,733,117</u>	<u>9,512,291</u>
Increase (Decrease) in Net Position	(3,780,830)	(214,279)
Net Position, Beginning of Year	<u>7,739,247</u>	<u>3,958,417</u>
Net Position, End of Year	<u>\$3,958,417</u>	<u>\$3,744,138</u>

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

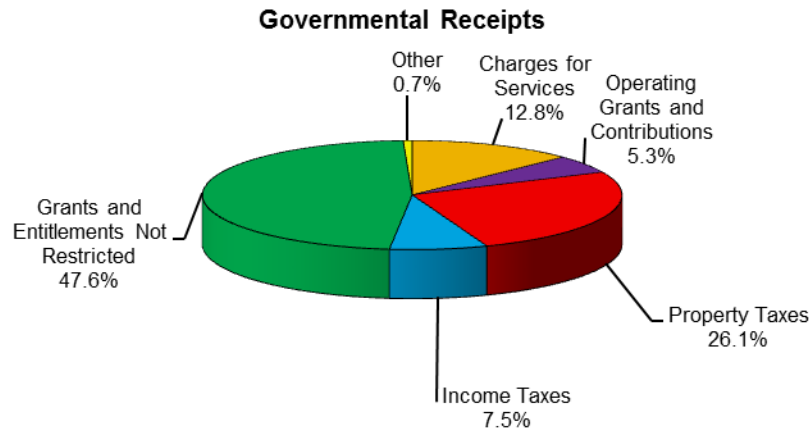
In fiscal year 2013, capital grants and contributions decreased as monies provided by the State of Ohio through the School Facilities Commission program decreased in fiscal year 2013. The majority of the monies for this project were received in fiscal year 2010 and 2011. The building was completed in time for the start of the fiscal year 2012 school year.

The decrease in operating grants and distributions was the result of no longer receiving the Education Jobs grant.

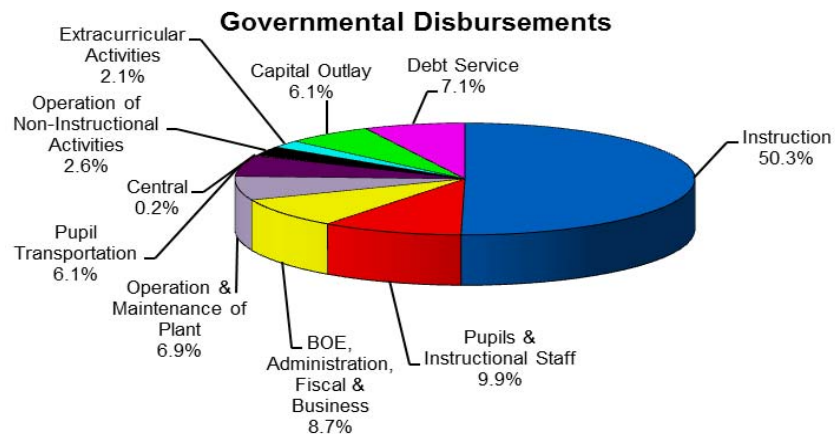
Disbursements decreased during fiscal year 2013, primarily as a result of a majority of the construction of the new K-12 facility was completed in fiscal year 2011 and now the project just has final wrap-up left.

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. For fiscal year 2013, property and income taxes make up 33.6% of the School District's receipts. Grants and entitlements not restricted consists largely of state foundation monies.



Instruction typically comprises approximately 50.3% of the School District's disbursements. Support services typically make up 31.7% of disbursements.



**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

If you look at the statement of activities on page 50, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	\$4,691,818	\$3,055,556	\$4,781,645	\$3,622,411
Support Services:				
Pupils and Instructional Staff	981,366	795,239	941,200	757,319
Board of Education, Administration, Fiscal and Business	837,371	837,371	824,027	824,027
Operation and Maintenance of Plant	722,107	703,250	655,132	633,951
Pupil Transportation	445,842	443,735	576,027	576,027
Central	5,565	5,565	22,824	22,824
Operation of Non-Instructional Services	257,561	(44,812)	248,864	(20,267)
Extracurricular Activities	209,955	153,829	203,036	151,554
Capital Outlay	4,876,724	4,577,697	583,349	583,349
Debt Service	704,808	704,808	676,187	676,187
Total Disbursements	\$13,733,117	\$11,232,238	\$9,512,291	\$7,827,382

The dependence upon state foundation and property and income tax receipts is apparent from the large amounts for the net cost of services. Operation of non-instructional services has a positive net cost of service. This represents the food service program.

The School District's Funds

Total governmental funds had receipts of \$9,298,012 and disbursements of \$9,512,291. The fund balance of the General Fund increased \$168,302.

The fund balance of the Building Construction Project Fund decreased \$481,678 due to the construction of the new building. The building was opened for the start of the fiscal year 2012 school year and project is now in the wrap-up stage.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon 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, the final budget basis revenue estimate was \$7,222,700, which was the same as the original. Intergovernmental revenue received in fiscal year 2013 was \$288,769 higher than anticipated.

During fiscal year 2013, the School District closely monitored expenditures so that expenditures were \$613,282 less than appropriations. Increases in appropriations were almost exclusively for regular instruction.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Capital Assets and Debt Administration

Capital Assets

The School District does not currently report its capital assets and infrastructure; however, it tracks its capital assets for insurance purposes.

Debt

At June 30, 2013, the School District had \$8,697,684 in debt outstanding. The energy conservation loan was originally \$199,096 and was paid off in fiscal year 2013. The capital facilities bonds were issued for \$9,204,996 in fiscal year 2009 and will be paid off in fiscal year 2037.

**Table 5
Outstanding Debt at June 30,**

	Amount Outstanding 6/30/2012	Amount Outstanding 6/30/2013	Amount Due in One Year
Governmental Activities:			
Energy Conservation Loan 1999 5.95%	\$19,597		
Classroom Facilities Improvement Bonds - 3.0-5.5%			
Serial Bonds	4,820,000	\$4,580,000	\$245,000
Term Bonds	3,750,000	3,750,000	
Capital Appreciation Bonds	306,432	367,684	
Total Governmental Activities			
Long-Term Liabilities	<u>\$8,769,593</u>	<u>\$8,697,684</u>	<u>\$245,000</u>

The School District's overall debt margin was \$586,713, the voted debt margin was \$490,673 and the unvoted debt margin was \$96,040 at June 30, 2013.

For more information on the School District's debt, see Note 10 of the Basic Financial Statements.

Current Issues

The School District historically fluctuates back and forth of a break-even point over the past several years. The administration and the board of education continue to closely monitor State funding as there continues to be a reliance on the local taxpayer to maintain current levels of funding. This requires management to plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years.

On August 5, 2008, the voters of the School District approved a 7.05 mill levy. A portion of the levy, 6.55 mills, is a bond levy that was used to pay for the local portion, \$9,209,676, needed to build the new K-12 facility. The remaining portion, \$13,814,515 was approved for the School District by the Ohio School Facilities Commission. The ground breaking began in the late summer of 2009. The remaining portion of the levy .5 mills will generate funds needed to help maintain the new facility. The new facility was opened for the start of the fiscal year 2012 school year.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

The School District recently received an AA- bond rating from Standard and Poor's.

In conclusion, the Hardin Houston Local School District continues to be committed to financial as well as educational excellence. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Amy Ayers, 5300 Houston Road, Houston, OH 45333 or e-mail at aayers@houston.k12.oh.us.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,744,138</u></u>
Net Position:	
Restricted for:	
Capital Projects	\$818,048
Debt Service	357,103
School Bus Purchases	64,358
Other Purposes	493,960
Unrestricted	<u>2,010,669</u>
Total Net Position	<u><u>\$3,744,138</u></u>

See accompanying notes to the basic financial statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YAER ENDED JUNE 30, 2013**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$3,963,251	\$1,008,925	\$32,048	(\$2,922,278)
Special	618,507		105,722	(512,785)
Vocational	92,980		12,539	(80,441)
Student Intervention Services	1,083			(1,083)
Other	105,824			(105,824)
Support Services:				
Pupil	630,386	9,273	173,608	(447,505)
Instructional Staff	310,814		1,000	(309,814)
Board of Education	7,343			(7,343)
Administration	555,411			(555,411)
Fiscal	259,950			(259,950)
Business	1,323			(1,323)
Operation and Maintenance of Plant	655,132	21,181		(633,951)
Pupil Transportation	576,027			(576,027)
Central	22,824			(22,824)
Operation of Non-Instructional Services	248,864	98,938	170,193	20,267
Extracurricular Activities	203,036	49,549	1,933	(151,554)
Capital Outlay	583,349			(583,349)
Principal Retirement	259,599			(259,599)
Interest and Fiscal Charges	416,588			(416,588)
Total Governmental Activities	<u><u>\$9,512,291</u></u>	<u><u>\$1,187,866</u></u>	<u><u>\$497,043</u></u>	<u><u>(7,827,382)</u></u>

General Receipts:

Property Taxes Levied for:

General Purposes	1,754,307
Capital Maintenance	38,789
Debt Service	634,281
Income Taxes Levied for General Purposes	465,135
Income Taxes Levied for Capital Outlay	232,567
Grants and Entitlements not Restricted to Specific Programs	4,424,065
OSFC Grant for Capital Projects	11,813
Interest	5,348
Miscellaneous	46,798
Total General Receipts	<u><u>7,613,103</u></u>
 Change in Net Position	 (214,279)
 Net Position Beginning of Year	 <u>3,958,417</u>
 Net Position End of Year	 <u><u>\$3,744,138</u></u>

See accompanying notes to the basic financial statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Building Construction Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,010,669	\$538,216	\$1,080,276	\$3,629,161
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	64,358			64,358
Cash and Cash Equivalents with Escrow Agents		50,619		50,619
Total Assets	<u>2,075,027</u>	<u>588,835</u>	<u>1,080,276</u>	<u>3,744,138</u>
Fund Balances:				
Restricted	64,358	588,835	1,080,276	1,733,469
Assigned	264,495			264,495
Unassigned	1,746,174			1,746,174
Total Fund Balances	<u>\$2,075,027</u>	<u>\$588,835</u>	<u>\$1,080,276</u>	<u>\$3,744,138</u>

See accompanying notes to the basic financial statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Building Construction Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$1,754,307		\$673,070	\$2,427,377
Income Taxes	465,135		232,567	697,702
Intergovernmental	4,326,269	\$11,813	591,221	4,929,303
Interest	4,780	470	483	5,733
Tuition and Fees	1,008,925			1,008,925
Extracurricular Activities	9,273		49,549	58,822
Contributions and Donations			3,233	3,233
Charges for Services			119,763	119,763
Miscellaneous	41,397		5,757	47,154
Total Receipts	<u>7,610,086</u>	<u>12,283</u>	<u>1,675,643</u>	<u>9,298,012</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,888,048		75,203	3,963,251
Special	527,763		90,744	618,507
Vocational	92,980			92,980
Student Intervention Services	1,083			1,083
Other	105,824			105,824
Support Services:				
Pupil	452,818		177,568	630,386
Instructional Staff	305,919		4,895	310,814
Board of Education	7,343			7,343
Administration	555,411			555,411
Fiscal	238,940		21,010	259,950
Business	1,323			1,323
Operation and Maintenance of Plant	594,878		60,254	655,132
Pupil Transportation	477,911		98,116	576,027
Central	22,824			22,824
Operation of Non-Instructional Services			248,864	248,864
Extracurricular Activities	147,635		55,401	203,036
Capital Outlay	841	493,961	88,547	583,349
Debt Service:				
Principal Retirement	19,597		240,000	259,597
Interest and Fiscal Charges	646		415,944	416,590
Total Disbursements	<u>7,441,784</u>	<u>493,961</u>	<u>1,576,546</u>	<u>9,512,291</u>
Net Change in Fund Balances	168,302	(481,678)	99,097	(214,279)
Fund Balances Beginning of Year	<u>1,906,725</u>	<u>1,070,513</u>	<u>981,179</u>	<u>3,958,417</u>
Fund Balances End of Year	<u>\$2,075,027</u>	<u>\$588,835</u>	<u>\$1,080,276</u>	<u>\$3,744,138</u>

See accompanying notes to the basic financial statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Receipts:				
Property Taxes	\$1,683,000	\$1,683,000	\$1,754,307	\$71,307
Income Taxes	450,000	450,000	465,135	15,135
Tuition and Fees	1,038,000	1,038,000	1,008,925	(29,075)
Interest	6,000	6,000	4,780	(1,220)
Intergovernmental	4,037,500	4,037,500	4,326,269	288,769
Gifts and Donations	200	200		(200)
Rent	1,000	1,000		(1,000)
Miscellaneous	5,000	5,000	10,734	5,734
Total Revenues	<u>7,220,700</u>	<u>7,220,700</u>	<u>7,570,150</u>	<u>349,450</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,898,126	4,448,126	3,887,515	560,611
Special	493,234	493,234	527,763	(34,529)
Vocational	95,270	95,270	92,980	2,290
Student Intervention Services	1,500	1,500	1,083	417
Other	80,000	80,000	105,824	(25,824)
Support Services:				
Pupils	446,590	446,590	441,856	4,734
Instructional Staff	318,474	318,474	305,919	12,555
Board of Education	10,025	10,025	7,343	2,682
Administration	543,643	543,643	559,736	(16,093)
Fiscal	241,034	251,034	242,529	8,505
Business	1,000	1,000	1,323	(323)
Operation and Maintenance of Plant	649,449	649,449	650,842	(1,393)
Pupil Transportation	574,877	574,877	477,911	96,966
Central	22,318	22,318	22,824	(506)
Extracurricular Activities	152,930	152,930	147,635	5,295
Capital Outlay	1,804	1,804	5,466	(3,662)
Debt Service:				
Principal Retirement	20,000	20,000	19,597	403
Interest and Fiscal Charges	1,800	1,800	646	1,154
Total Disbursements	<u>7,552,074</u>	<u>8,112,074</u>	<u>7,498,792</u>	<u>613,282</u>
Excess of Revenues Over (Under) Disbursements	(331,374)	(891,374)	71,358	962,732
Other Financing Source:				
Refund of Prior Year Disbursement	2,000	2,000	30,663	28,663
Net Change in Fund Balances	(329,374)	(889,374)	102,021	991,395
Fund Balance at Beginning of Year	1,852,997	1,852,997	1,852,997	
Prior Year Encumbrances Appropriated	38,959	38,959	38,959	
Fund Balance at End of Year	<u>\$1,562,582</u>	<u>\$1,002,582</u>	<u>\$1,993,977</u>	<u>\$991,395</u>

See Accompanying Notes to the Basic Financial Statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30 ,2013**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$1,467	\$39,330
Net Position:		
Restricted for Students		39,330
Held in Trust for Scholarships	1,467	
Total Net Position	\$1,467	\$39,330

See accompanying notes to the basic financial statements.

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
Additions:	
Miscellaneous	\$600
Deductions:	
Scholarships	<u>1,200</u>
Change in Net Position	(600)
Net Position - Beginning of Year	<u>2,067</u>
Net Position - End of Year	<u><u>\$1,467</u></u>

See accompanying notes to the basic financial statements.

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**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. REPORTING ENTITY

Hardin-Houston Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in Shelby County. The School District is staffed by 37 non-certificated employees, 53 certificated full-time teaching personnel who provide services to 909 students and other community members. The School District currently operates one instructional/support buildings.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Hardin Houston Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization (WOCO)
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Southwestern Ohio Instructional Technology Association (SOITA)

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

1. REPORTING ENTITY (Continued)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
Shelby County Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. However, the School District does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Building Construction Project Fund – The Building Construction Project Capital Projects Fund accounts for the State share and the Local share of the Ohio School Facilities Commission project and the related expenses. The School District built a new K-12 facility.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds

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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds, except the General Fund. The legal level of control for this fund is at the object level within the fund. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents that are held separately by an escrow agent for the payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2013, the School District invested in certificates of deposit and the Fifth Third Institutional Government Money Market Fund. Investments are reported at market value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 was \$4,780, which included \$157 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or 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 law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of buses.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. The School District did not have net position restricted by enabling legislation at June 30, 2013.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, unassigned) amounts are available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

O. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Revenue, Disbursements and Changes in Fund Balance – Budget (Non GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is:

- 1) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (modified cash basis) and
- 2) Perspective differences resulting from differences in fund structure.

Cash Basis	\$168,302
Encumbrances	(68,503)
Perspective Differences	2,222
Budgetary Basis	<u><u>\$102,021</u></u>

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred 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 rating classifications by at least two nationally recognized rating agencies.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover its deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$3,156,717 and the bank balance was \$3,270,091. \$1,014,904 of the School District's deposits was insured by federal depository insurance. As of June 30, 2013, \$2,255,187 of the School District's bank balance of \$3,270,091 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

B. Investments

The School District had the following investments at fiscal year-end:

<u>Type of Investment</u>	<u>Maturity / Call Date</u>	<u>Fair Value</u>
Fifth Third Institutional Government Money Market Fund	53 days	\$628,218

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The investment in Fifth Third Institutional Government Money Market Fund is rated AAAM by Standard & Poor's.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. More than 5 percent of the School District's investments are in the following:

<u>Type of Investment</u>	<u>Percentage</u>
Fifth Third Institutional Government Money Market Fund	100.00%

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The federal agency securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the School District’s name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

5. PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility 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.

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.

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$87,171,800	95.91%	\$96,039,620	96.40%
Public Utility Personal	3,720,690	4.09%	3,588,500	3.60%
Total	<u>\$90,892,490</u>	<u>100.00%</u>	<u>\$99,628,120</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$35.37		\$35.37	

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. INCOME TAXES

The School District levies a voted tax of three-fourths of one percent for general operations on the income of residents and of estates. Income tax revenue is credited to the General Fund (one-half of one percent) and the Permanent Improvement Capital Projects Fund (one-fourth of one percent). The General Fund tax was effective on January 1, 1991, and the Permanent Improvement Capital Projects Fund tax was effective on January 1, 1997. Both are continuing taxes. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

7. RISK MANAGEMENT

A. Property and Liability

The School 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. During fiscal year 2013, the School District joined together with other school districts in Ohio to participate in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (See Note 13). The School District pays this annual premium to Southwestern Ohio Educational Purchasing Council who in turns pays Arthur Gallagher Risk Management Services Inc.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000 deductible)	\$32,159,412
Inland Marine Coverage (\$1,000 deductible)	Actual
Money and Securities	500,000
Automobile Liability (\$1000 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$1000 deductible)	1,000,000
Comprehensive Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
General Liability Umbrella Policy	5,000,000
Crime/Employee Dishonesty (\$1000 deductible)	500,000
Education General Liability:	
Each Occurrence	1,000,000
Medical Expense-Any One Person/Each Accident	5,000
General Aggregate Limit	3,000,000
Employee Benefits Liability (\$1,000 deductible):	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability:	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change in insurance coverage from the last fiscal year.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2013, the allocation to pension and death benefits is 13.10 percent of annual covered salary. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$98,847, \$97,623, and \$87,531, respectively; 66.82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

B. State Teachers Retirement System of Ohio

Plan Description - The School 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.

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 the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School 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 School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$404,819, \$420,960, and \$417,119, respectively; 84.11 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, five members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$5,584, \$5,765, and \$5,633, and respectively; 66.82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16 percent. 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 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$15,505, \$16,529, and \$19,286, respectively; 5.12 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

The SERS 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 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 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 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 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$31,140, \$32,382, and \$32,086, respectively; 84.11 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

10. DEBT

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/2012	Additions	Deletions	Amount Outstanding 6/30/2013	Amount Due in One Year
Governmental Activities:					
Energy Conservation Loan 1999 5.95%	\$19,597		(\$19,597)		
Classroom Facilities					
Improvement Bonds - 3.0-5.5%					
Serial Bonds	4,820,000		(240,000)	\$4,580,000	\$245,000
Term Bonds	3,750,000			3,750,000	
Capital Appreciation Bonds	306,432	\$61,252		367,684	
Total Governmental Activities					
Long-Term Liabilities	<u>\$8,896,029</u>	<u>\$61,252</u>	<u>(\$259,597)</u>	<u>\$8,697,684</u>	<u>\$245,000</u>

The Energy Conservation Loan was issued July 7, 1998, for \$199,096. The loan was issued for the purpose of making energy conservation improvements. The loan matured March 1, 2013, and was retired from the General Fund.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEBT (Continued)

On December 23, 2008, the School District issued \$9,204,996 in Classroom Facilities Improvement Bonds. The bonds had a premium of \$274,769 and issuance costs of \$192,883. Of the bonds, \$5,275,000 is serial bonds with interest rates from 3% to 4.5% with a final maturity December 1, 2021. \$3,750,000 is term bonds (\$1,975,000 with a 5.25% interest rate maturing on December 1, 2033 and \$1,775,000 with a 5.5% interest rate maturing on December 1, 2036). \$179,996 is capital appreciation bonds (maturity amount of \$275,000 on December 2016, 2017, and 2018).

The term bonds due December 1, 2033, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2030	\$455,000
2031	480,000
2032	505,000

The remaining \$535,000 principal amount of the bonds due December 1, 2033, is to be paid at stated maturity.

The term bonds due December 1, 2036, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2034	\$560,000
2035	590,000

The remaining \$625,000 principal amount of the bonds due December 1, 2036, is to be paid at stated maturity. The bonds will be paid from the Bond Retirement Debt Service Fund.

The School District's overall debt margin was \$586,713, the voted debt margin was \$490,673 and the un-voted debt margin was \$96,040 at June 30, 2013.

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2013, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Capital Facilities Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$245,000	\$407,756
2015	255,000	399,006
2016	265,000	389,575
2017	70,524	589,082
2018	59,417	600,190
2019-2023	1,220,055	2,048,960
2024-2028	1,795,000	1,451,781
2029-2033	2,290,000	938,787
2034-2037	2,310,000	261,681
Subtotal	8,509,996	7,086,818
Accretion	187,688	(187,688)
Total	<u>\$8,697,684</u>	<u>\$6,899,130</u>

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Building Construction Project	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Food Service Operations			\$213,870	\$213,870
Chamber of Commerce Grant			1,860	1,860
Classroom Maintenance			247,209	247,209
Athletics			13,274	13,274
Bus Purchases	\$64,358		-	64,358
Capital Improvements		\$588,835	229,213	818,048
Debt Service			357,103	357,103
State and Federal Grants			16,453	16,453
Copeland/Walmart Grant			1,294	1,294
Total Restricted	64,358	588,835	1,080,276	1,733,469
Assigned for:				
Unpaid Obligations	68,503			68,503
FY 14 Appropriations	185,120			185,120
Public School Support	10,872			10,872
Total Assigned	264,495			264,495
Unassigned	1,746,174			1,746,174
Total Fund Balance	\$2,075,027	\$588,835	\$1,080,276	\$3,744,138

12. SET-ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula 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 fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2013.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2012	
Current Year Set-aside Requirement	\$159,586
Current Year Offsets	(159,586)
Set-aside Balances	\$0
Amount of Set-aside Carried Forward to Future Fiscal Years	\$0

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Western Ohio Computer Organization - The Hardin-Houston Local School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of MDECA consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$109,741 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 128 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2013, the School District paid \$37,930 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2013, the School District paid \$0 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During 2013, the School District paid \$850,157 for benefits. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2013, the School District paid \$37,281 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. SIGNIFICANT CONTRACTUAL COMMITMENT

As of June 30, 2013, the School District had contractual purchase commitment as follows:

Vendor	Contract Amount	Expended	Remaining Balance
CTL Engineering	\$100,000	\$23,570	\$76,430

15. CONTINGENT LIABILITIES

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

16. CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34"*, *Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,"* and *Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,"* and *Statement No. 65, "Items Previously Reported as Assets and Liabilities."*

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, GASB most notably, the fiscal dependency criterion. The implementation of *GASB Statement No. 61* did not have an effect on the financial statements of the District.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of *GASB Statement No. 65* did not have an effect on the financial statements of the District.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Hardin-Houston Local School District
Shelby County
5300 Houston Road
Houston, Ohio 45333

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin-Houston Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 21, 2014, wherein we noted the School District adopted Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2014



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Hardin-Houston Local School District
Shelby County
5300 Houston Road
Houston, Ohio 45333

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 18, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
Columbus, Ohio

November 21, 2014

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Dave Yost • Auditor of State

HARDIN-HOUSTON LOCAL SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2014**