



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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 year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and outstanding debt. The Schedule of Federal Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is 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.

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

February 12, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012, 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 2012 are as follows:

- Net assets of governmental activities decreased \$3,780,830 from prior year.
- Of the School District's \$13,733,117 in cash disbursements, \$2,500,879 or 18 percent of the disbursements were offset by program receipts.
- Among major funds, the General Fund had \$7,663,132 in receipts and \$7,130,914 in disbursements. The General Fund's balance increased \$541,620 from 2011.
- During fiscal year 2012, the School District finished the construction of a new K-12 facility. The School District received \$293,666 during fiscal year 2012 from the State of Ohio through the School Facilities Commission program for the construction project.

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 assets 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, 2012
(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 Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012, within the limitations of cash basis accounting. The statement of net assets 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 assets 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, 2012
(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 Government'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 assets for fiscal year 2012 compared to fiscal year 2011 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2012	2011
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$3,698,343	\$7,739,247
Cash and Cash Equivalents with Escrow Agents	260,074	
Total Assets	3,958,417	7,739,247
Net Assets:		
Restricted for:		
Capital Projects	1,325,826	5,696,209
Debt Service	294,724	319,986
School Bus Purchases	64,358	64,358
Other Purposes	431,142	357,947
Unrestricted	1,842,367	1,300,747
Total Net Assets	\$3,958,417	\$7,739,247

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

As mentioned previously, net assets of governmental activities decreased \$3,780,830 during fiscal year 2012. Unrestricted net assets increased \$541,620 as a result of general operating receipts exceeding disbursements. Net assets restricted for capital projects decreased as monies for the building construction project were spent. Net assets restricted for school bus purchases remained the same as no additional monies were received in fiscal year 2012 and no money was spent in fiscal year 2012. Net assets for other purposes increased due to increases in net assets in the cafeteria fund and the capital maintenance fund.

Table 2 reflects the changes in net assets for fiscal year 2012 and fiscal year 2011.

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

	Governmental Activities 2012	Governmental Activities 2011
Receipts:		
Program Receipts:		
Charges for Services	\$1,435,149	\$1,095,717
Operating Grants and Contributions	767,253	930,761
Capital Grants and Contributions	298,477	1,105,833
Total Program Receipts	<u>2,500,879</u>	<u>3,132,311</u>
General Receipts:		
Property Taxes	2,324,373	2,139,779
Income Taxes	694,662	633,237
Grants and Entitlements Not Restricted to Specific Programs	4,347,777	4,245,122
All Other Categories	84,596	86,653
Total General Receipts	<u>7,451,408</u>	<u>7,104,791</u>
Total Receipts	<u>9,952,287</u>	<u>10,237,102</u>
Disbursements:		
Instruction	4,691,818	4,914,983
Support Services:		
Pupils and Instructional Staff	981,366	1,087,242
Board of Education, Administration, Fiscal and Business	837,371	822,940
Operation and Maintenance of Plant	722,107	585,307
Pupil Transportation	445,842	559,944
Central	5,565	11,691
Operation of Non-Instructional Services	257,561	238,419
Extracurricular Activities	209,955	201,940
Capital Outlay	4,876,724	13,844,805
Debt Service	704,808	708,920
Total Disbursements	<u>13,733,117</u>	<u>22,976,191</u>
Increase (Decrease) in Net Assets	<u>(3,780,830)</u>	<u>(12,739,089)</u>
Net Assets, Beginning of Year	<u>7,739,247</u>	<u>20,478,336</u>
Net Assets, End of Year	<u>\$3,958,417</u>	<u>\$7,739,247</u>

In fiscal year 2012, capital grants and contributions decreased as monies provided by the State of Ohio through the School Facilities Commission program decreased in fiscal year 2012. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

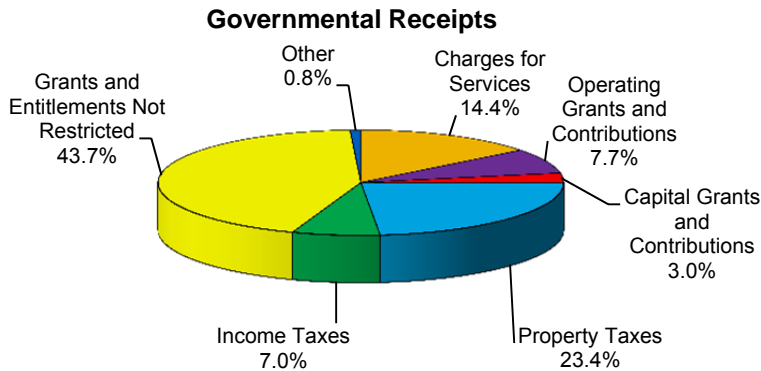
In fiscal year 2010, with the down turn in the economy, income taxes decreased as jobs were lost or income decreased. Fiscal year 2011 and 2012 saw a rebound in income taxes.

The loss of fiscal stabilization monies in fiscal year 2012 contributed to the decrease in operating grants and contributions.

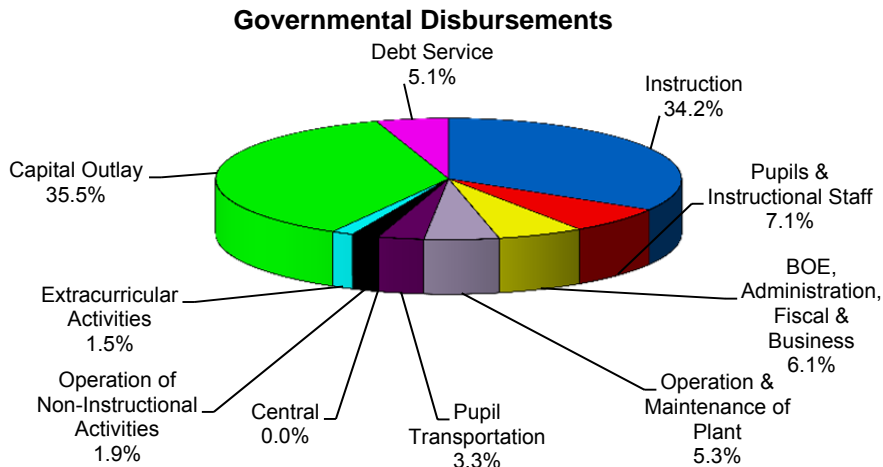
Disbursements decreased during fiscal year 2012; primarily as a result of a majority of the construction of the new K-12 facility was completed in fiscal year 2011.

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 2012, property and income taxes make up 30.4 percent of the School District's receipts. Grants and entitlements not restricted consists largely of state foundation monies.



Instruction typically comprises approximately 60 percent of the School District's disbursements. Support services typically make up 34 percent of disbursements. For fiscal year 2012, capital outlay of 35.5 percent has dropped the disbursements for general instruction to 34.2 percent and support services to 21.8 percent.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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.

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2012	Net Cost of Services 2012	Total Cost Of Services 2011	Net Cost of Services 2011
Instruction	\$4,691,818	\$3,055,556	\$ 4,914,983	\$ 3,856,176
Support Services:				
Pupils and Instructional Staff	981,366	795,239	1,087,242	766,816
Board of Education, Administration, Fiscal and Business	837,371	837,371	822,940	804,419
Operation and Maintenance of Plant	722,107	703,250	585,307	417,421
Pupil Transportation	445,842	443,735	559,944	448,825
Central	5,565	5,565	11,691	11,691
Operation of Non-Instructional Services	257,561	(44,812)	238,419	(43,979)
Extracurricular Activities	209,955	153,829	201,940	134,769
Capital Outlay	4,876,724	4,577,697	13,844,805	12,738,822
Debt Service	704,808	704,808	708,920	708,920
Total Disbursements	\$13,733,117	\$11,232,238	\$22,976,191	\$19,843,880

The dependence upon state foundation and property and income tax receipts is apparent, 62 percent of instructional activities are supported through these general receipts. 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 \$9,882,874 and disbursements of \$13,733,117. The fund balance of the General Fund increased \$541,620. Income tax revenue in the general fund continued to rebound during fiscal 2012.

The fund balance of the Building Construction Project Fund decreased \$3,973,074 due to the construction of the new building. The building 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, 2012
(UNAUDITED)
(Continued)**

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 \$6,954,200, which was the same as the original. Tuition and fees from open enrollment were higher than anticipated.

During fiscal year 2012, the School District closely monitored expenditures so that expenditures were \$367,378 less than appropriations.

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, 2012, the School District had \$8,769,593 in debt outstanding. The school improvement bond was originally issued for \$598,950 and was paid off in fiscal year 2012. The energy conservation loan was originally \$199,096 and will be 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 4
Outstanding Debt at June 30,**

	Amount Outstanding 6/30/2011	Amount Outstanding 6/30/2012	Amount Due in One Year
Governmental Activities:			
School Improvement Bonds 1989 7.625%	\$ 30,000		
Energy Conservation Loan 1999 5.95%	38,119	\$ 19,597	\$ 19,597
Classroom Facilities Improvement Bonds – 3.0-5.5%			
Serial Bonds	5,050,000	4,820,000	240,000
Term Bonds	3,750,000	3,750,000	
Capital Appreciation Bonds	179,996	179,996	
Total Governmental Activities Long-Term Liabilities	<u>\$9,048,115</u>	<u>\$8,769,593</u>	<u>\$259,597</u>

The School District may not issue bonds which exceed nine percent of the total value of all property in the School District as listed and assessed for taxation. The Board of Education, though exceeding the nine percent debt limitation, is exempt from being required to qualify as a special needs district pursuant to Section 133.03(l), the proposed bond issuance is only being used to raise the School District's local share of project costs under the Classroom Facilities Program.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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 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 ASSETS - CASH BASIS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,698,343
Cash and Cash Equivalents with Escrow Agents	260,074
Total Assets	3,958,417
 Net Assets:	
Restricted for:	
Capital Projects	1,325,826
Debt Service	294,724
School Bus Purchases	64,358
Other Purposes	431,142
Unrestricted	1,842,367
Total Net Assets	\$3,958,417

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, 2012**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$3,906,242	\$1,221,758	\$261,038		(\$2,423,446)
Special	610,151		140,927		(469,224)
Vocational	92,480		12,539		(79,941)
Student Intervention Services	1,419				(1,419)
Other	81,526				(81,526)
Support Services:					
Pupil	662,888	9,332	173,546		(480,010)
Instructional Staff	318,478	1,466	1,783		(315,229)
Board of Education	9,490				(9,490)
Administration	565,931				(565,931)
Fiscal	261,095				(261,095)
Business	855				(855)
Operation and Maintenance of Plant	722,107	18,857			(703,250)
Pupil Transportation	445,842		2,107		(443,735)
Central	5,565				(5,565)
Operation of Non-Instructional Services	257,561	130,189	172,184		44,812
Extracurricular Activities	209,955	52,997	3,129		(153,829)
Capital Outlay	4,876,724	550		\$298,477	(4,577,697)
Principal Retirement	278,522				(278,522)
Interest and Fiscal Charges	426,286				(426,286)
Total Governmental Activities	<u>\$13,733,117</u>	<u>\$1,435,149</u>	<u>\$767,253</u>	<u>\$298,477</u>	<u>(11,232,238)</u>
General Receipts:					
Property Taxes Levied for:					
General Purposes					1,698,849
Capital Maintenance					38,458
Debt Service					587,066
Income Taxes Levied for General Purposes					463,108
Income Taxes Levied for Capital Outlay					231,554
Grants and Entitlements not Restricted to Specific Programs					4,347,777
Gifts and Donations not Restricted to Specific Programs					1,450
Interest					6,488
Miscellaneous					76,658
Total General Receipts					<u>7,451,408</u>
Change in Net Assets					(3,780,830)
Net Assets Beginning of Year					<u>7,739,247</u>
Net Assets End of Year					<u>\$3,958,417</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, 2012**

	<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	\$1,842,367	\$810,439	\$981,179	\$3,633,985
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	64,358			64,358
Cash and Cash Equivalents with Escrow Agents		260,074		260,074
Total Assets	<u>1,906,725</u>	<u>1,070,513</u>	<u>981,179</u>	<u>3,958,417</u>
Fund Balances:				
Restricted	64,358	1,070,513	981,179	2,116,050
Assigned	342,937			342,937
Unassigned	1,499,430			1,499,430
Total Fund Balances	<u>\$1,906,725</u>	<u>\$1,070,513</u>	<u>\$981,179</u>	<u>\$3,958,417</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, 2012**

	<u>General</u>	<u>Building Construction Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$1,698,849		\$625,524	\$2,324,373
Income Taxes	463,108		231,554	694,662
Intergovernmental	4,254,919	\$293,666	853,987	5,402,572
Interest	6,388	4,811	100	11,299
Tuition and Fees	1,221,758			1,221,758
Extracurricular Activities	9,948		52,497	62,445
Contributions and Donations	2,300		6,124	8,424
Charges for Services			149,046	149,046
Miscellaneous	5,862	550	1,883	8,295
Total Receipts	<u>7,663,132</u>	<u>299,027</u>	<u>1,920,715</u>	<u>9,882,874</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,615,321		290,921	3,906,242
Special	479,684		130,467	610,151
Vocational	92,480			92,480
Student Intervention Services	1,419			1,419
Other	81,526			81,526
Support Services:				
Pupil	485,328		177,560	662,888
Instructional Staff	316,695		1,783	318,478
Board of Education	9,490			9,490
Administration	564,813		1,118	565,931
Fiscal	241,348		19,747	261,095
Business	855			855
Operation and Maintenance of Plant	622,227		99,880	722,107
Pupil Transportation	438,755		7,087	445,842
Central	5,565			5,565
Operation of Non-Instructional Services			257,561	257,561
Extracurricular Activities	152,520		57,435	209,955
Capital Outlay	2,518	4,272,101	602,105	4,876,724
Debt Service:				
Principal Retirement	18,522		260,000	278,522
Interest and Fiscal Charges	1,848		424,438	426,286
Total Disbursements	<u>7,130,914</u>	<u>4,272,101</u>	<u>2,330,102</u>	<u>13,733,117</u>
Excess of Receipts Over (Under) Disbursements	<u>532,218</u>	<u>(3,973,074)</u>	<u>(409,387)</u>	<u>(3,850,243)</u>
Other Financing Sources:				
Sale of Fixed Assets			59,760	59,760
Refund of Prior Year Expenditures	9,402		251	9,653
Total Other Financing Sources	<u>9,402</u>		<u>60,011</u>	<u>69,413</u>
Net Change in Fund Balances	541,620	(3,973,074)	(349,376)	(3,780,830)
Fund Balances Beginning of Year	<u>1,365,105</u>	<u>5,043,587</u>	<u>1,330,555</u>	<u>7,739,247</u>
Fund Balances End of Year	<u>\$1,906,725</u>	<u>\$1,070,513</u>	<u>\$981,179</u>	<u>\$3,958,417</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues:				
Property Taxes	\$1,603,000	\$1,603,000	\$1,698,849	\$95,849
Income Taxes	425,000	425,000	463,108	38,108
Tuition and Fees	839,000	839,000	1,221,758	382,758
Interest	16,000	16,000	6,388	(9,612)
Intergovernmental	4,066,000	4,066,000	4,254,919	188,919
Gifts and Donations	2,200	2,200	1,450	(750)
Rent	1,000	1,000		(1,000)
Miscellaneous	2,000	2,000	5,862	3,862
Total Revenues	<u>6,954,200</u>	<u>6,954,200</u>	<u>7,652,334</u>	<u>698,134</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,757,120	3,992,120	3,630,837	361,283
Special	447,014	447,014	481,328	(34,314)
Vocational	98,674	98,674	92,480	6,194
Student Intervention Services	4,400	4,400	1,419	2,981
Other	58,000	58,000	81,526	(23,526)
Support Services:				
Pupils	381,037	381,037	472,587	(91,550)
Instructional Staff	321,193	321,193	316,355	4,838
Board of Education	9,850	9,850	9,490	360
Administration	563,053	563,053	566,096	(3,043)
Fiscal	243,228	253,228	242,792	10,436
Business	1,600	1,600	855	745
Operation and Maintenance of Plant	593,935	798,935	625,566	173,369
Pupil Transportation	408,728	408,728	450,072	(41,344)
Central	6,800	6,800	7,163	(363)
Extracurricular Activities	149,176	149,176	152,520	(3,344)
Capital Outlay	7,848	7,848	3,322	4,526
Debt Service:				
Principal Retirement	18,500	18,500	18,522	(22)
Interest and Fiscal Charges	2,000	2,000	1,848	152
Total Expenditures	<u>7,072,156</u>	<u>7,522,156</u>	<u>7,154,778</u>	<u>367,378</u>
Excess of Revenues Over (Under) Expenditures	(117,956)	(567,956)	497,556	1,065,512
Other Financing Source:				
Refund of Prior Year Expenditure			9,402	9,402
Net Change in Fund Balances	(117,956)	(567,956)	506,958	1,074,914
Fund Balance at Beginning of Year	1,289,510	1,289,510	1,289,510	
Prior Year Encumbrances Appropriated	56,529	56,529	56,529	
Fund Balance at End of Year	<u>\$1,228,083</u>	<u>\$778,083</u>	<u>\$1,852,997</u>	<u>\$1,074,914</u>

See Accompanying Notes to the Basic Financial Statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$2,067</u>	<u>\$33,571</u>
Net Assets:		
Restricted for Students		33,571
Held in Trust for Scholarships	<u>2,067</u>	
Total Net Assets	<u>\$2,067</u>	<u>\$33,571</u>

See accompanying notes to the basic financial statements.

HARDIN-HOUSTON LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>
Additions:	
Miscellaneous	<u>\$1,500</u>
Deductions:	
Scholarships	<u>900</u>
Change in Net Assets	600
Net Assets - Beginning of Year	<u>1,467</u>
Net Assets - End of Year	<u><u>\$2,067</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, 2012**

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, 56 certificated full-time teaching personnel who provide services to 943 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
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium
- Southwestern Ohio Educational 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 cash basis of accounting. In the government-side financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principals' Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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 assets 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 assets 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 assets 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, 2012
(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 non-exchange 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 is building 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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".

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 with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2012, 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 2012 was \$6,388, which included \$1,858 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Assets

Net assets are 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 assets 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 assets are available. The School District did not have net assets restricted by enabling legislation at June 30, 2012.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis 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 (cash basis) and
2. Perspective differences resulting from differences in fund structure.

Cash Basis	\$541,620
Encumbrances	(38,959)
Perspective Differences	<u>4,297</u>
Budgetary Basis	<u><u>\$506,958</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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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 \$3,369,126 and the bank balance was \$3,485,308. \$1,275,324 of the School District's deposits was insured by federal depository insurance. As of June 30, 2012, \$2,209,984 of the School District's bank balance of \$3,485,308 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	52 days	\$624,929

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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, 2012, are available to finance fiscal year 2012 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 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$86,008,340	95.97%	\$87,171,800	95.91%
Public Utility Personal	3,607,950	4.03%	3,720,690	4.09%
Total	\$89,616,290	100.00%	\$90,892,490	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$34.55		\$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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 2012, the School District joined together with other school districts in Ohio to participate in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (See Note 13). The School District pays this annual premium to Southwestern 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)	\$22,402,443
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, 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2012, 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 2012, the allocation to pension and death benefits is 12.70 percent of annual covered salary. The remaining 1.3 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, 2012, 2011 and 2010 were \$97,623, \$87,531, and \$138,278, respectively; 55.21 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2012, 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, 2012, 2011, and 2010 were \$420,960, \$417,119, and \$413,765, respectively; 83.28 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 2012, four 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, 2012
(Continued)**

9. POSTEMPLOYMENT 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 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 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,765, \$5,633, and \$8,223, respectively; 55.21 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 105I. 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, 2012, the health care allocation is .55 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 2012, the minimum compensation level was established at \$35,800. 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, 2012, 2011, and 2010 were \$16,529, \$19,286, and \$18,643, respectively; 14.12 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. POSTEMPLOYMENT 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 2012, 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, 2012, 2011, and 2010 were \$32,382, \$32,086, and \$31,828, respectively; 83.28 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

10. DEBT

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/2011	Additions	Deletions	Amount Outstanding 6/30/2012	Amount Due in One Year
Governmental Activities					
School Improvement Bonds 1989 7.625%	\$ 30,000		(\$ 30,000)		
Energy Conservation Loan 1999 5.95%	38,119		(18,522)	\$ 19,597	\$ 19,597
Classroom Facilities Improvement Bonds – 3.0-5.5%					
Serial Bonds	5,050,000		(230,000)	4,820,000	240,000
Term Bonds	3,750,000			3,750,000	
Capital Appreciation Bonds	179,996			179,996	
Total Governmental Activities					
Long-Term Liabilities	<u>\$9,048,115</u>	<u>\$0</u>	<u>(\$278,522)</u>	<u>\$8,769,593</u>	<u>\$259,597</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. DEBT (Continued)

The School Improvement Bonds were issued October 1, 1988, for \$598,950. The un-voted general obligation bonds were issued for the purpose of school improvements. The bonds have matured December 1, 2011, and were retired from the Bond Retirement Debt Service Fund.

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 will mature March 1, 2013, and will be retired from the General Fund.

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 5% with a final maturity December 1, 2029. \$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 may not issue bonds which exceed nine percent of the total value of all property in the School District as listed and assessed for taxation. The Board of Education, though exceeding the nine percent debt limitation, is exempt from being required to qualify as a special needs district pursuant to Section 133.03(I), the proposed bond issuance is only being used to raise the School District's local share of project costs under the Classroom Facilities Program.

The School District's energy conservation debt margin was \$798,435 and the un-voted debt margin was \$90,892 at June 30, 2012.

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2012, are as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. DEBT (Continued)

Fiscal Year Ending June 30,	Energy Conservation Loan		Capital Facilities Bonds	
	Principal	Interest	Principal	Interest
2013	\$19,597	\$736	\$ 240,000	\$ 415,944
2014			245,000	407,756
2015			255,000	399,006
2016			265,000	389,575
2017			70,524	589,082
2018-2022			969,472	2,309,231
2023-2027			1,710,000	1,538,012
2028-2032			2,180,000	1,053,506
2033-2037			2,815,000	400,650
Total	\$19,597	\$736	\$8,749,996	\$7,502,762

11. FUND BALANCE

Fund balance is classified as non-spendable, 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			\$193,609	\$ 193,609
Chamber of Commerce Grant			1,860	1,860
Classroom Maintenance			196,173	196,173
Athletics			24,366	24,366
Bus Purchases	\$ 64,358			64,358
Capital Improvements		\$1,070,513	255,313	1,325,826
Debt Service			294,724	294,724
State and Federal Grants			14,340	14,340
Copeland/Walmart Grant			794	794
Total Restricted	64,358	1,070,513	981,179	2,116,050
Assigned for:				
Unpaid Obligations	38,959			38,959
FY 13 Appropriations	290,413			290,413
Public School Supprt	13,565			13,565
Total Assigned	342,937			342,937
Unassigned	1,499,430			1,499,430
Total Fund Balance	\$1,906,725	\$1,070,513	\$981,179	\$3,958,417

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 2012.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2011	
Current Year Set-aside Requirement	\$154,136
Current Year Offsets	<u>(154,136)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$ 0</u>
Amount of Set-aside Carried Forward to Future Fiscal Years	<u><u>\$ 0</u></u>

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 WOCO 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 \$85,271 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 126 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2012, the School District paid \$32,801 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.

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 2012, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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 2012, the School District paid \$899,520 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 Council Property, Fleet and Liability Insurance Program
– The School District participates in the Southwestern Ohio Educational 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 2012, the School District paid \$32,151 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

14. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2012, the School District had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Remaining Balance</u>
Bovis Land Lease, Inc.	\$1,190,645	\$1,178,832	\$ 11,813
Ferguson Construction	3,509,400	3,401,951	107,449
CTL Engineering	50,000	19,388	30,612
JMC Mechanical Inc.	1,082,951	1,047,031	35,920
Perry Corporation	20,700	4,524	16,176
Securcom	1,094,576	1,080,048	14,528
Osborn Engineering	97,202	52,828	44,374
	<u>\$7,045,474</u>	<u>\$6,784,602</u>	<u>\$260,872</u>

15. CONTINGENT LIABILITIES

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed through the Ohio Department of Education)</i>						
Nutrition Cluster:						
Non Cash Assistance (Food Distribution)						
National School Lunch Program		10.555		\$29,231		\$29,231
Cash Assistance:						
School Breakfast Program		10.553	\$12,865		\$12,865	
National School Lunch Program		10.555	155,974		155,974	
Total Cash-Assistance Subtotal:			<u>168,839</u>		<u>168,839</u>	
Total Nutrition Cluster			<u>168,839</u>	<u>29,231</u>	<u>168,839</u>	<u>29,231</u>
Total U.S. Department of Agriculture			168,839	29,231	168,839	29,231
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed through the Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	2011	84.010	916		1,450	
	2012		97,858		87,493	
			<u>98,774</u>		<u>88,943</u>	
Title I Grants to Local Educational Agencies - ARRA	2011	84.389	39,538		42,523	
Total Title I Grants to Local Educational Agencies Cluster			<u>138,312</u>		<u>131,466</u>	
Special Education Grants to States	2012	84.027	171,734		171,734	
Education Technology Grants	2012	84.318	783		783	
Reducing Class Size	2012	84.367	27,375		27,375	
Education Jobs Grants	2012	84.410	227,068		227,068	
Total U.S. Department of Education			<u>565,272</u>		<u>558,426</u>	
Total Federal Assistance			<u>\$734,111</u>	<u>\$29,231</u>	<u>\$727,265</u>	<u>\$29,231</u>

See Accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Hardin Houston Local School District (the School District's) federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 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 year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 12, 2013, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 12, 2013.

We intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

February 12, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Hardin-Houston Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Hardin-Houston Local School District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

In our opinion, the Hardin-Houston Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 12, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Education Jobs – CFDA #84.410
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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
MARCH 7, 2013**