



Dave Yost • Auditor of State



**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Harrison Hills City School District  
Harrison County  
730 Peppard Ave  
Cadiz, OH 43907

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 Harrison Hills City School District, Harrison County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 5, 2013. These financial statements are the responsibility of the 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 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 Harrison Hills City School District, Harrison 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 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The federal awards receipts and expenditures schedule (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.



**Dave Yost**  
Auditor of State

March 5, 2013

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

The management's discussion and analysis of the Harrison Hills City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- The total net cash assets of the District decreased \$851,617 or 11.66% from fiscal year 2011.
- General cash receipts accounted for \$15,268,220 or 80.38% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,726,655 or 19.62% of total governmental activities cash receipts.
- The District had \$19,846,492 in cash disbursements related to governmental activities; \$3,726,655 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) and entitlements not restricted of \$15,268,220 were not adequate to provide for these programs.
- The District's major fund is the general fund. The general fund had cash receipts and other financing sources of \$16,441,071 in 2012. The cash disbursements and other financing uses of the general fund, totaled \$15,518,894 in 2012. The general fund's cash balance increased \$922,177 from 2011 to 2012.

**Using this Cash Basis Basic Financial Statements (BFS)**

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

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

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

The statement of net assets - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2012?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

The statement of net assets - cash basis and the statement of activities - cash basis can be found on pages 15-16 of this report.

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

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. The governmental fund statements can be found on pages 17-21 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for health and dental self-insurance. The basic proprietary fund financial statements can be found on pages 22-23 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and agency funds. The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

*Notes to the Financial Statements*

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-46 of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net assets - cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash assets for at June 30, 2012 and June 30, 2011.

	<b>Change in Net Cash Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 5,184,280	\$ 5,141,549
Cash with fiscal agent	<u>1,266,418</u>	<u>2,160,766</u>
Total assets	<u>6,450,698</u>	<u>7,302,315</u>
<u>Net Cash Assets</u>		
Restricted	766,646	2,590,737
Unrestricted	<u>5,684,052</u>	<u>4,711,578</u>
Total net cash assets	<u>\$ 6,450,698</u>	<u>\$ 7,302,315</u>

The total net cash assets of the District decreased \$851,617, which represents a 11.66% decrease from fiscal year 2011. The decrease is due primarily to the decrease in operating grants and contributions received during fiscal year 2012.

The balance of government-wide unrestricted net cash assets of \$5,684,052 may be used to meet the government's ongoing obligations to citizens and creditors.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

The table below shows the changes in net cash assets for fiscal year 2012 and 2011.

	<b>Change in Net Cash Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$ 500,165	\$ 519,599
Operating grants and contributions	<u>3,226,490</u>	<u>4,772,165</u>
Total program cash receipts	<u>3,726,655</u>	<u>5,291,764</u>
General cash receipts:		
Property and other taxes	5,042,050	4,903,572
Unrestricted grants	10,097,355	10,324,139
Sale of notes	-	565,000
Sale of assets	-	330,890
Investment earnings	36,104	55,847
Other	<u>92,711</u>	<u>66,400</u>
Total general cash receipts	<u>15,268,220</u>	<u>16,245,848</u>
Total cash receipts	<u>18,994,875</u>	<u>21,537,612</u>

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**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

**Change in Net Cash Assets (Continued)**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 8,269,435	\$ 8,704,991
Special	1,850,689	1,712,625
Vocational	443,949	465,567
Other	717,234	444,225
Support services:		
Pupil	782,913	858,961
Instructional staff	643,151	727,963
Board of education	161,261	216,816
Administration	1,553,648	1,358,835
Fiscal	618,347	603,749
Operations and maintenance	1,087,658	1,120,056
Pupil transportation	1,607,604	1,331,569
Central	199,921	189,320
Operation of non instructional services:		
Other non-instructional services	4,131	8,145
Food service operations	590,920	660,313
Extracurricular	333,442	331,784
Facilities acquisition and construction	912,595	1,152,749
Debt service:		
Principal retirement	40,000	-
Interest and fiscal charges	29,594	16,022
Note issuance costs	-	11,300
	<u>19,846,492</u>	<u>19,914,990</u>
Total cash disbursements		
Change in net cash assets	(851,617)	1,622,622
Net cash assets at beginning of year	<u>7,302,315</u>	<u>5,679,693</u>
Net cash assets at end of year	<u>\$ 6,450,698</u>	<u>\$ 7,302,315</u>

**Governmental Activities**

Governmental net cash assets decreased by \$851,617 in fiscal year 2012 from fiscal year 2011. The decrease is due primarily to the decrease in operating grants and contributions receipts because of the end of the Federal Stimulus in fiscal year 2011. Total governmental cash disbursements of \$19,846,492 were offset by program cash receipts of \$3,726,655 and general cash receipts of \$15,268,220. Program receipts supported 18.78% of the total governmental cash disbursements.

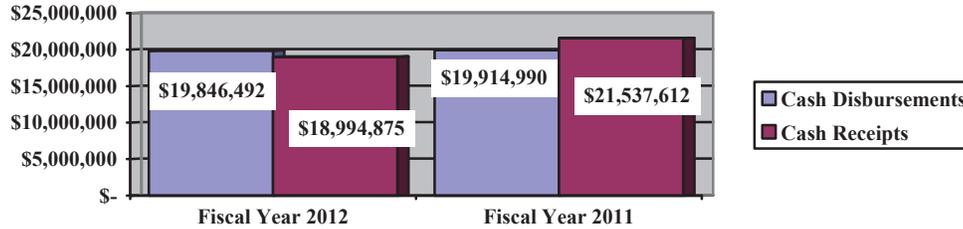
The primary sources of cash receipts for governmental activities are derived from property taxes, and grants and entitlements. These cash receipt sources represent 79.70% of total governmental cash receipts. Real estate property is reappraised every six years.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2011 and 2012.

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



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

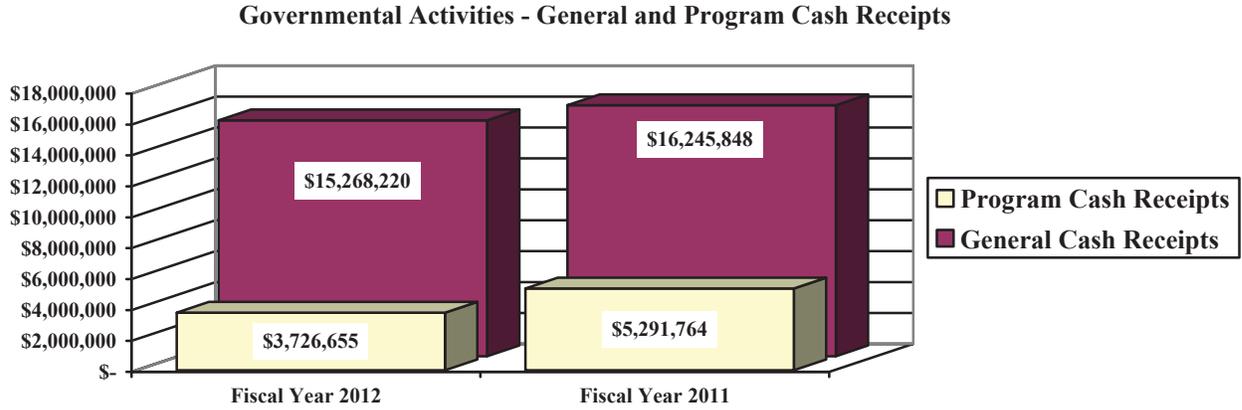
	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Cash disbursements:				
Instruction:				
Regular	\$ 8,269,435	\$ 7,860,399	\$ 8,704,991	\$ 7,176,617
Special	1,850,689	719,794	1,712,625	397,466
Vocational	443,949	304,288	465,567	325,906
Other	717,234	141,667	444,225	43,479
Support services:				
Pupil	782,913	746,974	858,961	712,389
Instructional staff	643,151	344,511	727,963	262,784
Board of education	161,261	161,161	216,816	216,816
Administration	1,553,648	1,453,819	1,358,835	1,084,620
Fiscal	618,347	618,347	603,749	603,614
Operations and maintenance	1,087,658	1,074,583	1,120,056	1,119,556
Pupil transportation	1,607,604	1,470,464	1,331,569	1,238,271
Central	199,921	199,603	189,320	189,320
Operation of non instructional services:				
Other non-instructional services	4,131	4,131	8,145	8,145
Food service operations	590,920	(144,052)	660,313	26,957
Extracurricular	333,442	181,959	331,784	188,977
Facilities acquisition and construction	912,595	912,595	1,152,749	1,000,987
Debt service:				
Principal retirement	40,000	40,000	-	-
Interest and fiscal charges	29,594	29,594	16,022	16,022
Note issuance costs	-	-	11,300	11,300
<b>Total</b>	<u>\$ 19,846,492</u>	<u>\$ 16,119,837</u>	<u>\$ 19,914,990</u>	<u>\$ 14,623,226</u>

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

The dependence upon general cash receipts for governmental activities is apparent; with 81.22% of cash disbursements supported through taxes and other general cash receipts during 2012.

The graph below presents the District's governmental activities cash receipts for fiscal years 2012 and 2011.



**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund balance of \$5,184,280, which is \$42,731 greater than last year's total of \$5,141,549. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011, for all major and nonmajor governmental funds.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase (Decrease)
Major fund:			
General	\$ 4,283,199	\$ 3,361,022	\$ 922,177
Other nonmajor governmental funds	<u>901,081</u>	<u>1,780,527</u>	<u>(879,446)</u>
Total	<u>\$ 5,184,280</u>	<u>\$ 5,141,549</u>	<u>\$ 42,731</u>

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

***General Fund***

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$16,441,071 in 2012. The cash disbursements and other financing uses of the general fund, totaled \$15,518,894 in 2012. The general fund's fund balance increased \$922,177 from 2011 to 2012. Total general fund cash receipts remained consistent with the prior year. The largest increase in cash receipts was in other local revenues. The primary reason for the increase in general fund cash fund balance is due to a decrease in cash disbursements compared to fiscal year 2011. The District has been released from fiscal caution, but continues to monitor the financial situation closely.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 4,656,066	\$ 4,526,891	2.85 %
Tuition	168,398	192,673	(12.60) %
Earnings on investments	1,558	2,938	(46.97) %
Extracurricular	45,699	41,364	10.48 %
Other local revenues	128,714	86,395	48.98 %
Intergovernmental	<u>10,931,687</u>	<u>11,176,583</u>	(2.19) %
Total	<u>\$ 15,932,122</u>	<u>\$ 16,026,844</u>	(0.59) %

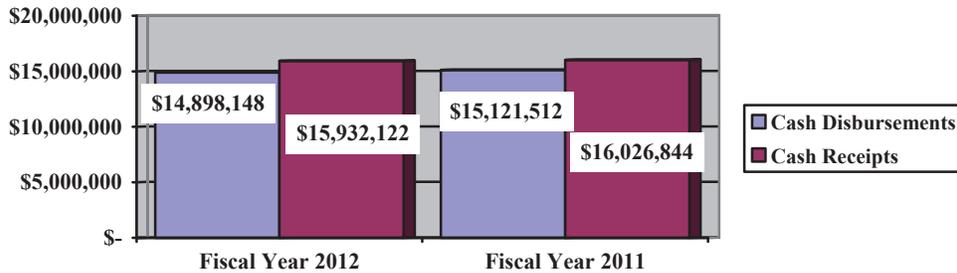
The table that follows assists in illustrating the cash disbursements of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 9,054,115	\$ 9,000,331	0.60 %
Support services	5,424,774	5,417,447	0.14 %
Operation of non instruction	3,012	3,489	(13.67) %
Extracurricular	220,228	222,079	(0.83) %
Facilities acquisition and construction	126,425	462,144	(72.64) %
Debt service	<u>69,594</u>	<u>16,022</u>	334.37 %
Total	<u>\$ 14,898,148</u>	<u>\$ 15,121,512</u>	(1.48) %

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

**General Fund - Total Cash Receipts vs. Total Cash Disbursements**



***Budgeting Highlights - General Fund***

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, original budgeted receipts and other financing sources were \$16,084,932 they were increased to \$16,231,782 in the final budgeted receipts. Actual receipts and other financing sources for fiscal year 2012 were \$16,388,648. This represents a \$156,866 increase over final budgeted receipts. The increase is due to the interest reimbursement on the energy conservation notes from the federal government and an adjustment for unposted interest at year end.

General fund original appropriations (appropriated cash disbursements including other financing uses) of \$16,345,885 were increased to \$16,362,383 in the final appropriations. The actual budget basis disbursements for fiscal year 2012 totaled \$15,840,432, which was \$521,951 less than the final budget appropriations. The decrease is due primarily to the decrease in actual disbursements related to regular instruction and facilities acquisition and construction.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2012 and 2011.

	Governmental Activities 2012	Governmental Activities 2011
Notes payable	\$ 525,000	\$ 565,000
Capital lease obligation	125,589	-
Total long-term obligations	<u>\$ 650,589</u>	<u>\$ 565,000</u>

See note 7 for additional information.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

**Current Financial Related Activities**

As the Board of Education continues to accomplish and set new goals, stated in the District's Continuous Improvement Plan (CIP), meeting the needs of the students continues to be the priority. Through the Ohio Improvement Process, the District is able to collect data to establish the needs of the District. The CIP is then developed based off these needs. The CIP has been instrumental in helping the District to plan financially in order to improve academics, maintain buildings and grounds, and other areas related to the District's operations.

In order to achieve these goals, it has been important that a high standard of accountability be continued and prudent fiscal management maintained.

The District was successful in ending the 2012 fiscal year in the black. This was the result of the District closing three school building at the beginning of fiscal year 2011. The District is no longer in fiscal caution and anticipates operating in the black through fiscal year 2015. This is based on historical, current trends and what is known at this time. To help to accomplish this goal, the District negotiated a three contract (7/1/11 through 6/30/2014) with classified employees receiving a 0% increase on their pay schedules for each year of the contract. In addition, negotiations with the certificated staff were reopened in which their contract was extended through fiscal year 2015 with a 0% increase on the base for each year. Therefore, the Board of Education and administration will continue to closely monitor its revenues and expenditures. Additional cuts are a possibility if the revenue for the District does not improve. This will be done in order to help bring expenditures more in line with the revenue. The Board of Education may also consider some type of tax levy.

The District was in the first year of the State's biennial budget. The District lost state stabilization funds and American Recovery and Reinvestment Act (ARRA) monies beginning with fiscal year 2012. In addition, a new funding formula for school districts was to be in place at the end of fiscal year 2012 but was not finalized. Therefore, the State is continuing to work on the model and hopes to have it in place at the end of fiscal year 2013.

The Ohio School Facilities Commission (OSFC) sent a team into the District to evaluate the District's school buildings in 2002. It was determined that all the buildings needed replaced. The District began working with the OSFC and was approved, as an exceptional needs District. The District would have been required to provide approximately 35% while the State would provide approximately 65% of the funds needed to replace the District's buildings. However, the District was not successful on its attempt on the ballot, November 2003, to get a bond levy passed for the District's share. We once again began working with the OSFC and developed a plan that combined three programs for funding. This time an income tax was placed on the ballot in March of 2004 to fund the District's portion of the project. However, it was not successful. The focus of the Board of Education had to switch to getting the permanent improvement levy renewed. Since we were successful in renewing the permanent improvement levy during fiscal year 2005, the Board and administration once again began working with the OSFC. The District was approved in fiscal year 2006 to enter into the building project under the Classroom Facilities Assistance Program (CFAP). This time the State will fund 75% while the District will need to pass a bond issue to fund 25% of the project. However, after three attempts, the District was unsuccessful: therefore, the focus will be to make necessary improvements to enhance the safety and learning environment of its students and staff.

Overall revenues decreased 13% from fiscal year 2011 to fiscal year 2012. This reflects the loss of State stabilization and ARRA monies.

The District was fortunate to have a mild winter, therefore helping to keep the disbursements much lower than expected.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

The Board of Education and administration will continue to carefully and prudently manage the District's resources in order to continue to meet the growing needs of its students. At the same time, the financial condition of the District will be monitored closely.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Roxane Harding, Treasurer, Harrison Hills City School District, P.O. Box 356 - Normal Street, Hopedale, Ohio 43976-0356.

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**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 5,184,280
Cash with fiscal agent . . . . .	1,266,418
Total assets. . . . .	6,450,698
<b>Net cash assets:</b>	
Restricted for:	
Capital projects . . . . .	329,467
Permanent fund - expendable . . . . .	34,045
Permanent fund - nonexpendable . . . . .	286,180
State funded programs. . . . .	25,148
Federally funded programs . . . . .	29,168
Student activities . . . . .	7,264
Other purposes . . . . .	55,374
Unrestricted . . . . .	5,684,052
Total net cash assets. . . . .	\$ 6,450,698

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Cash</u> <u>Disbursements) Cash</u> <u>Receipts and Change</u> <u>In Net Cash Assets</u>
		<u>Charges for</u> <u>Services and Sales</u>	<u>Operating Grants</u> <u>and Contributions</u>	<u>Governmental</u> <u>Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 8,269,435	\$ 169,645	\$ 239,391	\$ (7,860,399)
Special . . . . .	1,850,689	18,126	1,112,769	(719,794)
Vocational . . . . .	443,949	-	139,661	(304,288)
Other . . . . .	717,234	-	575,567	(141,667)
Support services:				
Pupil . . . . .	782,913	-	35,939	(746,974)
Instructional staff . . . . .	643,151	-	298,640	(344,511)
Board of education . . . . .	161,261	50	50	(161,161)
Administration . . . . .	1,553,648	-	99,829	(1,453,819)
Fiscal . . . . .	618,347	-	-	(618,347)
Operations and maintenance . . . . .	1,087,658	13,075	-	(1,074,583)
Pupil transportation . . . . .	1,607,604	-	137,140	(1,470,464)
Central . . . . .	199,921	-	318	(199,603)
Operation of non-instructional services:				
Other non-instructional services . . . . .	4,131	-	-	(4,131)
Food service operations . . . . .	590,920	165,817	569,155	144,052
Extracurricular activities . . . . .	333,442	133,452	18,031	(181,959)
Facilities acquisition and construction . . . . .	912,595	-	-	(912,595)
Debt service:				
Principal retirement . . . . .	40,000	-	-	(40,000)
Interest and fiscal charges . . . . .	29,594	-	-	(29,594)
<b>Total governmental activities . . . . .</b>	<b><u>\$ 19,846,492</u></b>	<b><u>\$ 500,165</u></b>	<b><u>\$ 3,226,490</u></b>	<b><u>(16,119,837)</u></b>
<b>General cash receipts:</b>				
Property taxes levied for:				
General purposes . . . . .				4,656,066
Capital outlay . . . . .				385,984
Grants and entitlements not restricted to specific programs . . . . .				10,097,355
Investment earnings . . . . .				36,104
Miscellaneous . . . . .				92,711
<b>Total general receipts . . . . .</b>				<b><u>15,268,220</u></b>
<b>Change in net cash assets . . . . .</b>				<b>(851,617)</b>
<b>Net cash assets at beginning of year . . . . .</b>				<b><u>7,302,315</u></b>
<b>Net cash assets at end of year . . . . .</b>				<b><u>\$ 6,450,698</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 4,283,199	\$ 901,081	\$ 5,184,280
Total assets . . . . .	\$ 4,283,199	\$ 901,081	\$ 5,184,280
<b>Fund cash balances:</b>			
Nonspendable:			
Permanent fund . . . . .	\$ -	\$ 286,180	\$ 286,180
Restricted:			
Capital improvements . . . . .	-	329,467	329,467
Food service operations . . . . .	-	55,374	55,374
Public school preschool . . . . .	-	10,270	10,270
Special education . . . . .	-	775	775
Targeted academic assistance . . . . .	-	1,215	1,215
Vocational education . . . . .	-	43	43
Extracurricular . . . . .	-	7,264	7,264
Other purposes . . . . .	-	76,058	76,058
Committed:			
Capital improvements . . . . .	-	130,211	130,211
Other purposes . . . . .	-	4,224	4,224
Assigned:			
Student instruction . . . . .	61,254	-	61,254
Student and staff support . . . . .	258,555	-	258,555
Capital improvements . . . . .	308,555	-	308,555
School supplies . . . . .	191,974	-	191,974
Other purposes . . . . .	5,016	-	5,016
Unassigned . . . . .	3,457,845	-	3,457,845
Total fund cash balances . . . . .	\$ 4,283,199	\$ 901,081	\$ 5,184,280

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND CASH BALANCES TO  
NET ASSETS - CASH BASIS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

<b>Total governmental fund cash balances</b>	\$ 5,184,280
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*Amounts reported for governmental activities on the  
statement of net assets-cash basis are different because:*

An internal service fund is used by management to charge the costs of insurance to individual funds. The net cash assets of the internal service fund are included in governmental activities on the statement of net assets-cash basis.

<u>1,266,418</u>
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<b>Net assets-cash basis of governmental activities</b>	<u><u>\$ 6,450,698</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>			
From local sources:			
Taxes . . . . .	\$ 4,656,066	\$ 385,984	\$ 5,042,050
Tuition . . . . .	168,398	-	168,398
Earnings on investments . . . . .	1,558	621	2,179
Charges for services . . . . .	-	165,817	165,817
Extracurricular . . . . .	45,699	87,753	133,452
Classroom materials and fees . . . . .	19,373	-	19,373
Other local revenues . . . . .	109,341	17,371	126,712
Intergovernmental - state . . . . .	10,916,347	194,472	11,110,819
Intergovernmental - federal . . . . .	15,340	2,176,801	2,192,141
Total cash receipts . . . . .	<u>15,932,122</u>	<u>3,028,819</u>	<u>18,960,941</u>
<b>Cash disbursements:</b>			
Current:			
Instruction:			
Regular . . . . .	7,393,087	571,212	7,964,299
Special . . . . .	1,234,761	491,679	1,726,440
Vocational . . . . .	411,222	40	411,262
Other . . . . .	15,045	671,199	686,244
Support services:			
Pupil . . . . .	676,934	43,683	720,617
Instructional staff . . . . .	204,411	372,888	577,299
Board of education . . . . .	161,261	-	161,261
Administration . . . . .	1,340,222	131,020	1,471,242
Fiscal . . . . .	574,022	18,173	592,195
Operations and maintenance . . . . .	1,033,337	-	1,033,337
Pupil transportation . . . . .	1,238,786	262,192	1,500,978
Central . . . . .	195,801	1,193	196,994
Operation of non-instructional services:			
Operation of non-instructional . . . . .	3,012	-	3,012
Food service operations . . . . .	-	557,399	557,399
Extracurricular activities . . . . .	220,228	113,214	333,442
Facilities acquisition and construction . . . . .	126,425	786,170	912,595
Debt service:			
Principal retirement . . . . .	40,000	-	40,000
Interest and fiscal charges . . . . .	29,594	-	29,594
Total cash disbursements . . . . .	<u>14,898,148</u>	<u>4,020,062</u>	<u>18,918,210</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>1,033,974</u>	<u>(991,243)</u>	<u>42,731</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	35,000	35,000
Transfers (out) . . . . .	(35,000)	-	(35,000)
Advances in . . . . .	508,949	585,746	1,094,695
Advances (out) . . . . .	(585,746)	(508,949)	(1,094,695)
Total other financing sources (uses) . . . . .	<u>(111,797)</u>	<u>111,797</u>	<u>-</u>
Net change in fund cash balances . . . . .	922,177	(879,446)	42,731
<b>Fund cash balances at beginning of year . . .</b>	<u>3,361,022</u>	<u>1,780,527</u>	<u>5,141,549</u>
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 4,283,199</u>	<u>\$ 901,081</u>	<u>\$ 5,184,280</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES OF GOVERNMENTAL FUNDS - CASH BASIS  
TO THE STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<b>Net change in fund balances - cash basis - total governmental funds</b>	\$	42,731
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*Amounts reported for governmental activities in the  
statement of activities - cash basis are different because:*

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities-cash basis. Governmental fund disbursements and the related internal service fund receipts are eliminated. The total change in net cash assets of the internal service fund is allocated among the governmental activities.

(894,348)

**Change in net cash assets of governmental activities**

\$ (851,617)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
From local sources:				
Taxes . . . . .	\$ 4,582,262	\$ 4,624,097	\$ 4,656,066	\$ 31,969
Tuition . . . . .	153,951	155,357	168,398	13,041
Earnings on investments . . . . .	1,210	1,220	1,558	338
Extracurricular . . . . .	5,814	5,867	5,867	-
Classroom materials and fees . . . . .	4,459	4,500	11,728	7,228
Other local revenues . . . . .	96,758	97,641	103,787	6,146
Intergovernmental - state . . . . .	10,735,831	10,833,846	10,916,348	82,502
Intergovernmental - federal . . . . .	-	-	15,340	15,340
Total budgetary basis receipts . . . . .	<u>15,580,285</u>	<u>15,722,528</u>	<u>15,879,092</u>	<u>156,564</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	7,600,808	7,608,481	7,484,249	124,232
Special . . . . .	1,284,098	1,285,394	1,255,703	29,691
Vocational . . . . .	413,213	413,630	411,222	2,408
Other . . . . .	15,030	15,045	15,045	-
Support services:				
Pupil . . . . .	700,994	701,702	686,368	15,334
Instructional staff . . . . .	206,045	206,253	204,575	1,678
Board of education . . . . .	252,705	252,960	227,288	25,672
Administration . . . . .	1,449,329	1,450,792	1,351,912	98,880
Fiscal . . . . .	609,807	610,422	583,362	27,060
Operations and maintenance . . . . .	1,151,369	1,152,531	1,136,768	15,763
Pupil transportation . . . . .	1,340,228	1,341,581	1,277,407	64,174
Central . . . . .	214,411	214,627	197,401	17,226
Operation of non-instructional services . . . . .	3,097	3,100	3,012	88
Extracurricular activities . . . . .	165,827	165,994	165,994	-
Facilities acquisition and construction . . . . .	264,604	264,871	149,786	115,085
Debt service:				
Principal . . . . .	39,960	40,000	40,000	-
Interest and fiscal charges . . . . .	14,240	14,254	29,594	(15,340)
Total budgetary basis disbursements . . . . .	<u>15,725,765</u>	<u>15,741,637</u>	<u>15,219,686</u>	<u>521,951</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . . . .	<u>(145,480)</u>	<u>(19,109)</u>	<u>659,406</u>	<u>678,515</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(34,965)	(35,000)	(35,000)	-
Advances in . . . . .	504,345	508,949	508,949	-
Advances (out) . . . . .	(585,155)	(585,746)	(585,746)	-
Sale of assets . . . . .	302	305	607	302
Total other financing sources (uses) . . . . .	<u>(115,473)</u>	<u>(111,492)</u>	<u>(111,190)</u>	<u>302</u>
Net change in fund cash balance . . . . .	(260,953)	(130,601)	548,216	678,817
<b>Fund cash balance at beginning of year . . . . .</b>	<b>3,123,588</b>	<b>3,123,588</b>	<b>3,123,588</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>183,928</b>	<b>183,928</b>	<b>183,928</b>	<b>-</b>
<b>Fund cash balance at end of year . . . . .</b>	<b><u>\$ 3,046,563</u></b>	<b><u>\$ 3,176,915</u></b>	<b><u>\$ 3,855,732</u></b>	<b><u>\$ 678,817</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF PROPRIETARY NET ASSETS - CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2012

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Cash with fiscal agent . . . . .	\$ 1,266,418
Total assets. . . . .	<u>1,266,418</u>
<b>Net cash assets:</b>	
Unrestricted. . . . .	<u>1,266,418</u>
Total net cash assets . . . . .	<u><u>\$ 1,266,418</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Operating cash receipts:</b>	
Sales/charges for services . . . . .	\$ 1,960,486
Total operating cash receipts . . . . .	<u>1,960,486</u>
<b>Operating cash disbursements:</b>	
Fringe benefits . . . . .	30,858
Claims . . . . .	<u>2,857,910</u>
Total operating cash disbursements . . . . .	<u>2,888,768</u>
Operating loss . . . . .	<u>(928,282)</u>
<b>Nonoperating cash receipts:</b>	
Interest revenue . . . . .	33,934
Total nonoperating cash receipts . . . . .	<u>33,934</u>
Change in net cash assets . . . . .	(894,348)
<b>Net cash assets at beginning of year . . . . .</b>	<u>2,160,766</u>
<b>Net cash assets at end of year . . . . .</b>	<u><u>\$ 1,266,418</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 100,000	\$ 101,404
Total assets. . . . .	100,000	\$ 101,404
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 43,247
Due to others . . . . .	-	58,157
Total liabilities . . . . .	-	\$ 101,404
<b>Net cash assets:</b>		
Held in trust for scholarships . . . . .	100,000	
Total net cash assets . . . . .	\$ 100,000	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 100,000
Change in net cash assets. . . . .	100,000
<b>Net cash assets at beginning of year . . . .</b>	-
<b>Net cash assets at end of year. . . . .</b>	\$ 100,000

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The Harrison Hills City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District was established in 1971 through the consolidation of existing land areas and school districts. The District serves an area approximately 386 square miles. It is located primarily in Harrison County, however small portions of the District are located in Carroll County, Belmont County and Jefferson County. The District is the 328th largest in the State of Ohio (among 918 public and community school districts) in terms of enrollment. It is staffed by 88 non-certified employees, 106 certified employees and 9 administrators who provide services to 2,001 students and other community members. The District currently operates 3 instructional buildings and 1 administrative building.

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

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**A. Reporting Entity**

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

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

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

The District is fiscal agent for the Harrison County Family and Children First Council (the "Council"). The District is responsible for receiving and disbursing funds at the direction of the Council. This entity is legally separate from the District. The District is fiscal agent and custodian for the Council, but is not accountable; therefore, the operations of the Council have been included as an agency fund in the District's basic financial statements. The funds invested on behalf of the Council have been included in the basic financial statements as "equity in pooled cash and cash equivalents".

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

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and educational service centers. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts and acts in the capacity of fiscal agent for OME-RESA.

Belmont Harrison Joint Vocational School

The Belmont Harrison Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the nine participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Belmont Harrison Joint Vocational School, Treasurer's Office, at 110 Fox/Shannon Place, St. Clairsville, Ohio 43950.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

*INSURANCE PURCHASING POOL*

Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP). THE GRP is sponsored by OASBO and administered by CompManagements, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrolment fee to the Plan to cover the costs of administering the program.

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**C. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. The following is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to disbursements for principal and interest.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal service fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical and dental benefits to employees.

*FIDUCIARY FUNDS*

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

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

*Government-wide Financial Statements* - The statement of net assets cash basis and the statement of activities - cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of cash receipts and cash disbursements.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2012 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Harrison County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2012.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of disbursements for the general fund and the fund level for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2012; however, none of these amendments were significant.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

**F. Cash and Investments**

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

During fiscal year 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$1,558, which includes \$3 assigned from other funds.

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

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

**G. Inventory and Prepaid Items**

The 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**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**I. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

**J. Long-Term Obligations**

Long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**L. Fund Balance**

The District reports classifications of fund balance based on the purpose for which resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable - resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted - resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties are considered available only for the purpose for which they were received.

Committed - resources that are constrained for specific purposes that are internally imposed by the District at its highest level of decision making authority, the Board of Education. With an affirmative vote of its members, the Board of Education may create funds for which resources are committed to the established purpose of that fund. Those committed amounts cannot be used for any other purpose unless the Board changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

The District applies restricted resources first when a disbursement is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when disbursements are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

**M. Net Cash Assets**

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

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

**N. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had no restricted net cash assets at June 30, 2012.

**O. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds are eliminated on the statement of assets - cash basis and the statement of activities - cash basis.

**P. Stabilization Arrangement**

The Board of Education has \$151,803 of unassigned fund balance in the general fund set aside to be used for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2012 was \$1,266,418.

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$206,843. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the District's entire bank balance of \$1,157,341 was covered by the FDIC.

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

**C. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 5,178,841	\$ 5,178,841
	<u>\$ 5,178,841</u>	<u>\$ 5,178,841</u>

*Interest Rate Risk:* To the extent possible, the District will attempt to match its investment with anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to maturity. Unless matched to a specific obligation or debt of the District, the District will not invest directly in securities maturing more than two years from the date of settlement.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by the State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 5,178,841	100.00
Total	<u>\$ 5,178,841</u>	<u>100.00</u>

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 206,843
Investments	5,178,841
Cash with fiscal agent	<u>1,266,418</u>
Total	<u>\$ 6,652,102</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,450,698
Private-purpose trust	100,000
Agency funds	<u>101,404</u>
Total	<u>\$ 6,652,102</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2012 consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 35,000</u>

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

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

- B.** During fiscal year 2012, advances consisted of \$585,746 from the general fund to nonmajor governmental funds. During fiscal year 2012, \$508,949 of advances were repaid to the general fund from nonmajor governmental funds.

Interfund advances between governmental funds are eliminated on the government-wide financial statements; therefore no advances are reported in the statement of activities.

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
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**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 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. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2012 (other than public utility property) generally represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on the value as of December 31, 2010. Amounts paid by multi-county taxpayers were due September 20, 2011. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2011, with the remainder payable by September 20, 2011.

The District receives property taxes from Harrison, Carroll, Tuscarawas, Belmont and Jefferson Counties. The County Auditors periodically advance to the 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 of second-half real property taxes available for advance at fiscal year-end 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	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 195,088,550	89.74	\$ 203,856,320	89.85
Public utility personal	22,040,450	10.14	23,028,781	10.15
Tangible personal property	<u>285,520</u>	<u>0.12</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 217,414,520</u>	<u>100.00</u>	<u>\$ 226,885,101</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 37.75		\$ 37.75	

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
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**NOTE 7 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Energy conservation note	\$ 565,000	\$ -	\$ (40,000)	\$ 525,000	\$ 40,000
Capital lease	<u>-</u>	<u>125,589</u>	<u>-</u>	<u>125,589</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>\$ 565,000</u>	<u>\$ 125,589</u>	<u>\$ (40,000)</u>	<u>\$ 650,589</u>	<u>\$ 40,000</u>

*Energy conservation note* - On November 23, 2010, the District issued energy conservation notes in the amount of \$565,000 for various improvements to school buildings. The notes were issued as part of the Qualified School Construction Bonds Program under the American Recovery and Reinvestment Act. Under this program, all interest payments on these notes are reimbursed to the District by the federal government. These notes bear an interest rate of 5.43% and mature on December 31, 2025.

Principal and interest requirements to retire the energy conservation notes at June 30, 2012, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 40,000	\$ 27,422	\$ 67,422
2014	40,000	25,249	65,249
2015	25,000	23,484	48,484
2016	30,000	21,992	51,992
2017	30,000	20,363	50,363
2018 - 2022	180,000	74,662	254,662
2023 - 2026	<u>180,000</u>	<u>20,362</u>	<u>200,362</u>
Total	<u>\$ 525,000</u>	<u>\$ 213,534</u>	<u>\$ 738,534</u>

*Capital lease* - On March 29, 2012, the District entered into a capital lease agreement with the Cadiz Community Improvement Corporation (CIC) for construction of a new bus garage. On June 25, 2012, the District made a payment of \$200,845 to the CIC. After the project is completed, the final cost of the project, less the \$200,845 previously paid, will be divided into 14 semi-annual installments at 0% interest, to be paid by the District to the CIC. At the completion of the lease payments, the District will have the option to purchase the bus garage from the CIC for \$1. The estimated project cost at June 30, 2012 is \$326,434. This amount, less the \$200,845 previously paid, leaves a liability to the District of \$125,589. As the project is not completed at June 30, 2012, a final payment schedule is not available.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$20,419,659 and an unvoted debt margin of \$226,885.

**NOTE 8 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees, office staff, administrative staff, and certified employees have the following sick leave and severance policies:

<u>Employee Status</u>	<u>Maximum Allowable Sick Leave Balance (Days)</u>	<u>Paid at 1/4 of Unused Sick Leave Balance</u>	<u>Paid at 1/8 of Unused Sick Leave Balance</u>	<u>Total Allowable Maximum Severance (Days)</u>
Classified	279	First 133 Days	Any Balance Over 133 Days	52
Office Staff	335	First 142 Days	Any Balance Over 142 Days	60
Administrative	335	First 160 Days	Any Balance Over 160 Days	62
Certified	335	First 144 Days	Any Balance Over 144 Days	60

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees through Dearborn National Life.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

**NOTE 9 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has contracted with Ohio School Plan via Harcum-Hyre Insurance Agency for property and inland marine coverage; fleet insurance; and professional liability coverage. Coverage is provided as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents - replacement cost (\$1,000 deductible)	\$38,587,812
Boiler and Machinery (\$1,000 deductible)	\$38,587,812
Crime Insurance	50,000

Coverage provided by Indiana Insurance is as follows:

General Liability	
Per occurrence	1,000,000
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2012, the District participated in the OASBO Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. 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 their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Group Medical, Dental, Vision and Life Insurance**

Medical/surgical, dental, vision and life insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of 49 school districts within the OME-RESA consortium, in which monthly premiums are paid to the fiscal agent who in turn pays the claims in the District's behalf. Dental was offered to employees by Guardian Life Insurance Company of America; vision was offered to employees by Superior Vision; and life insurance was offered to employees by Dearborn National Life. Dental, vision and life insurances were not through a self-insurance internal service fund.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

**NOTE 10 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$260,304, \$248,006 and \$290,680, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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

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

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.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

**NOTE 10 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$820,212, \$874,589 and \$934,591, respectively; 83.51 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 SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

**NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$42,884, \$55,937 and \$53,539, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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 District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$15,372, \$15,960 and \$17,286, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$63,093, \$67,276 and \$71,892, respectively; 83.51 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

**NOTE 12 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

**Net Change in Fund Balance**

	<u>General fund</u>
Cash basis	\$ 922,177
Funds budgeted elsewhere **	20,742
Adjustment for encumbrances	(394,703)
Budget basis	\$ 548,216

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, public school support fund, adult education fund, rotary fund and unclaimed monies fund.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
CONTINUED

**NOTE 14 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	280,692
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(135,953)
Excess qualified expenditures from prior years	-
Current year offsets	(470,041)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (325,302)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u><u>\$ -</u></u>

**NOTE 15 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year disbursements and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
General fund	\$ 402,641
Nonmajor governmental funds	<u>219,133</u>
Total	<u><u>\$ 621,774</u></u>

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**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF Agriculture</b>				
<i>Passed Through Ohio Department of Education:</i>				
Commodities Supplemental Food Program (non-cash)	03-PU-12	10.555	\$24,429	\$24,429
Child Nutrition Cluster:				
Cash Assistance:				
School Breakfast Program	05-PU-12	10.553	252,543	252,543
National School Lunch Program	04-PU-12	10.555	306,288	306,288
Total Child Nutrition Cluster			<u>558,831</u>	<u>558,831</u>
Total U.S. Department of Agriculture - (Non-Cash and Cash)			<u>583,260</u>	<u>583,260</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	C1-S1-11	84.010	197,145	310,387
	C1-S1-12		520,815	666,945
ARRA - Title I Grants to Local Educational Agencies				
Title I School Improvement	2011	84.389	50,944	67,619
Total Title I, Part A Cluster			<u>768,904</u>	<u>1,044,951</u>
Special Education Cluster:				
Special Education - Grants to States (IDEA Part B)	6B-SF-11	84.027	60,799	62,750
	6B-SF-12		338,473	434,109
Special Education - Preschool Grants (IDEA Preschool)	2011	84.173	2,624	2,624
	2012		20,674	21,799
ARRA - IDEA Part B- Federal stimulus	2011	84.391	5,535	2,915
Total Special Education Cluster			<u>428,105</u>	<u>524,197</u>
21st Century Grant	2012	84.287	99,501	167,736
Educational Technology State Grants Cluster:				
Title II Part D Education Technology State Grant	TJ-S1-12	84.318		4,929
Rural and Low Income Grant	2011	84.358		31,379
Title II-A Improving Teacher Quality State Grant				
	TR-S1-11	84.367	20,681	20,925
	TR-S1-12		96,080	122,437
Total Title II-A Improving Teacher Quality State Grant			<u>116,761</u>	<u>143,363</u>
ARRA - State Fiscal Stabilization Fund Cluster				
State Fiscal Stabilization Fund (SFSF) – Education State Grants,	2011	84.394		96,187
Education Jobs Fund				
	2011	84.410	61,033	58,145
	2012		35,773	48,666
Total Education Jobs Fund			<u>96,806</u>	<u>106,810</u>
Special Education Grant for Infants and Families with Disabilities				
	2011	84.181		41,174
	2012		52,261	21,790
ARRA - Special Education Grant for Infants and Families with Disabilities with Disabilities	2011	84.393	8,545	62,964
			<u>60,806</u>	
ARRA - Race to the Top	2,011	84.395	294	5,142
<b>DIRECT AWARD -U.S. DEPARTMENT OF EDUCATION</b>				
Improving Literacy through School Libraries	S364A100391	84.364A	52,217	38,210
Total U.S. Department of Education			<u>1,623,394</u>	<u>2,225,867</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Job and Family Services</i>				
Medical Assistance Program (Medicaid Title XIX)	2011	93.778	52,670	93,877
Community Based Child Abuse Prevention Grant	JFSFCB09	93.590	15,000	4,250
Total U.S. Department of Health and Human Services			<u>67,670</u>	<u>98,127</u>
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>				
<i>Passed Through Ohio Department of Environmental Protection Agency</i>				
ARRA - State Clean Diesel Program	2011	66.040	55,380	55,380
<b>Total Federal Financial Assistance</b>			<u><b>\$2,329,704</b></u>	<u><b>\$2,962,634</b></u>

The accompanying notes are an integral part of this schedule.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
JUNE 30, 2012**

**A. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Harrison Hills City School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**B. CHILD NUTRITION CLUSTER**

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

**C. FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The 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*

Harrison Hills City School District  
Harrison County  
730 Peppard Ave.  
Cadiz, OH 43901

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 Harrison Hills City School District, Harrison County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles, and have issued our report thereon dated March 5, 2013. 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 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 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01,

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 5, 2013.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



**Dave Yost**  
Auditor of State

March 5, 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 IN ACCORDANCE WITH OMB CIRCULAR A-133

Harrison Hills City School District  
Harrison County  
730 Peppard Ave.  
Cadiz, OH 43907

To the Board of Education:

### Compliance

We have audited the compliance of Harrison Hills City School District (the 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 each of Harrison Hills City School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The 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 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 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 District's compliance with these requirements.

In our opinion, Harrison Hills City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The 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 District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 District's internal control over compliance.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949  
[www.ohioauditor.gov](http://www.ohioauditor.gov)

Harrison Hills City School District  
Harrison County  
Independent Accountants' Report on Compliance with  
Requirements Applicable to Each Major Federal Program and on  
Internal Control Over Compliance in Accordance with OMB Circular A-133

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2012-02 and 2012-03 to be material weaknesses.

The District's responses to the findings we have identified are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 5, 2013.

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



**Dave Yost**  
Auditor of State

March 5, 2013

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 Cluster: CFDA #'s 84.010 and 84.389 Nutrition Cluster: CFDA #'s 10.553 and 10.555 21 <sup>st</sup> Century Grant; CFDA #84.287
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2012-01**

**Noncompliance Citation**

**Ohio Administrative Code Section 117-2-03(B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

**FINDING NUMBER 2012-01  
(Continued)**

The District prepared its annual financial report following the cash accounting basis. This is a comprehensive accounting basis which, unlike generally accepted accounting principles, omits assets, liabilities and fund equities.

The District should prepare and file an annual financial report which is prepared using accounting principles generally accepted in the United States of America.

**Official's Response:**

Due to the financial condition of the District, beginning in fiscal year 2011, the board of education chose to not file GAAP statements. Until which time it is not cost prohibitive, the District will continue to file an annual financial report following the cash accounting basis.

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	<b>2012-02</b>
<b>CFDA Title and Number</b>	Nutrition Grant Cluster 10.555s
<b>Federal Award Number / Year</b>	04/05PU-12
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Weakness**

Controls over the allowability and cost principles as they relate to the Nutrition Grant Cluster expenditures were not in place but were not operating effectively. The District's practice is for the Food Service Coordinator to approve and sign off on all food service purchases. Testing revealed 2 of 13 tested purchases were not properly approved and signed. The lack of controls increases the risk of noncompliance and unallowable expenditures, which could result in questioned costs.

The District should enforce the control procedures that are already in place over the Nutrition Grant Cluster expenditures to ensure allowability with the cost principles and grant requirements. The Food Service Coordinator should approve all purchases for the food services to verify that they expenditures are for allowable purpose and are in compliance with cost principles.

**Officials' Response:**

The Food Service Coordinator will sign off on all purchases in the future.

**3. FINDINGS FOR FEDERAL AWARDS – (Continued)**

<b>Finding Number</b>	<b>2012-03</b>
<b>CFDA Title and Number</b>	21 <sup>st</sup> Century Grant 84.287
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Weakness**

Controls over allowability, cost principles and period of availability regarding the 21st Century Grant expenditures were in place and were not operating effectively. The District's practice is for the Grant Coordinator to approve and sign off on all requisitions and payment approval forms. Testing revealed 3 of 11 requisitions were not properly signed. In addition, 7 of 11 payment forms were not signed by the Grant Coordinator. The lack of controls increases the risk of noncompliance and the occurrence of unallowable expenditures, which could result in questioned costs.

The District should enforce the control procedures that are already in place to ensure compliance with allowability, cost principles and period of availability compliance requirements. Procedures should include the Grant Coordinator approving and signing off on the requisitions for all program purchases and using the Payment Approval Form as documented in the District's internal control procedures. Ensuring that internal control procedures are operating effectively will help to reduce the risk of noncompliance with allowability, cost principles and period of availability requirements.

**Official's Response:**

The 21st Century Grant coordinator will approve and sign off on all requisitions and payment approval forms in the future.

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**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2011-001	<b>Ohio Administrative Code Section 117-2-03(B)</b> , failure to file GAAP statements	No	Re-issued as Finding 2012-01
2011-002	<b>Elementary Secondary Education Act, Section 6, Part I, Subpart 1 Section 115(a)</b> , unallowable expenditures in building not served by Title 1	Yes	
2011-003	<b>34 CFR 80.20</b> , excess of funds for State Fiscal Stabilization Grant	Yes	

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HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY

CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2012

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2012-02	The Food Service Coordinator will sign off on all purchases in the future.	Immediate	Roxanne Harding, District Treasurer
2012-03	The 21 <sup>st</sup> Century Grant Coordinator will approve and sign on all requisitions and payment forms in the future.	Immediate	Roxanne Harding, Treasurer

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# Dave Yost • Auditor of State

HARRISON HILLS CITY SCHOOL DISTRICT

HARRISON 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 26, 2013