



**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet- All Fund Types and Account Groups - June 30, 2000 .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds - For the Fiscal Year Ended June 30, 2000 .....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund - For the Fiscal Year Ended June 30, 2000 .....	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Enterprise Funds - For the Fiscal Year Ended June 30, 2000 .....	10
Combined Statement of Cash Flows - All Enterprise Funds - For the Fiscal Year Ended June 30, 2000 .....	11
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Budget (Non-GAAP Basis) and Actual - All Enterprise Funds - For the Fiscal Year Ended June 30, 2000 .....	12
Notes to the General-Purpose Financial Statements - June 30, 2000 .....	13
General-Purpose Financial Statements:	
Combined Balance Sheet- All Fund Types and Account Groups - June 30, 1999 .....	40
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds - For the Fiscal Year Ended June 30, 1999 .....	42
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund - For the Fiscal Year Ended June 30, 1999 .....	44
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type - For the Fiscal Year Ended June 30, 1999 .....	46
Combined Statement of Cash Flows - Proprietary Fund Type - For the Fiscal Year Ended June 30, 1999 .....	47
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type - For the Fiscal Year Ended June 30, 1999 .....	48
Notes to the General-Purpose Financial Statements - June 30, 1999 .....	49
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	75

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Hardin Houston Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hardin Houston Local School District, Shelby County, as of June 30, 2000 and 1999 and the results of its operations and the cash flows of its enterprise funds for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2000 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

November 22, 2000



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

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$614,023	\$68,355	\$260,518	\$108,374
Cash and Cash Equivalents with Fiscal Agent	0	10,006	0	0
Receivables:				
Property and Other Taxes	1,623,177	0	76,064	0
Accounts	1,121	86	0	0
Intergovernmental	32,086	4,658	0	0
Accrued Interest	1,132	0	0	566
Interfund	23,015	0	0	0
Income Tax	118,361	0	0	59,180
Inventory of Supplies and Materials	21,765	0	0	0
Prepaid Items	7,818	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	59,815	0	0	0
Fixed Assets	0	0	0	0
Accumulated Depreciation	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
<b>Total Assets and Other Debits</b>	<u>\$2,502,313</u>	<u>\$83,105</u>	<u>\$336,582</u>	<u>\$168,120</u>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities:</b>				
Accounts Payable	\$6,771	\$3,002	\$0	\$994
Contracts Payable	0	0	0	48,478
Accrued Wages and Benefits Payable	380,520	7,163	0	0
Interfund Payable	0	0	0	0
Intergovernmental Payable	78,546	154	0	0
Deferred Revenue	1,625,339	0	72,289	0
Due to Students	0	0	0	0
Compensated Absences Payable	849	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<u>2,092,025</u>	<u>10,319</u>	<u>72,289</u>	<u>49,472</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	40,909	5,233	0	46,980
Reserved for Inventory of Supplies and Materials	21,765	0	0	0
Reserved for Property Taxes	75,717	0	3,775	0
Reserved for Budget Stabilization	53,680	0	0	0
Reserved for School Bus Purchases	6,135	0	0	0
Unreserved, Undesignated	212,082	67,553	260,518	71,668
<b>Total Fund Equity and Other Credits</b>	<u>410,288</u>	<u>72,786</u>	<u>264,293</u>	<u>118,648</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$2,502,313</u>	<u>\$83,105</u>	<u>\$336,582</u>	<u>\$168,120</u>

See Accompanying Notes to the General Purpose Financial Statements



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$42,407	\$41,996	\$0	\$0	\$1,135,673
0	0	0	0	10,006
0	0	0	0	1,699,241
0	0	0	0	1,207
90	0	0	0	36,834
0	0	0	0	1,698
0	0	0	0	23,015
0	0	0	0	177,541
530	0	0	0	22,295
0	0	0	0	7,818
4,477	0	0	0	4,477
0	0	0	0	59,815
93,763	0	3,774,382	0	3,868,145
(86,705)	0	0	0	(86,705)
0	0	0	264,293	264,293
0	0	0	632,846	632,846
<u>\$54,562</u>	<u>\$41,996</u>	<u>\$3,774,382</u>	<u>\$897,139</u>	<u>\$7,858,199</u>
\$386	\$0	\$0	\$0	\$11,153
0	0	0	0	48,478
13,773	0	0	0	401,456
23,015	0	0	0	23,015
15,770	0	0	61,611	156,081
2,391	0	0	0	1,700,019
0	39,723	0	0	39,723
8,580	0	0	332,050	341,479
0	0	0	183,478	183,478
0	0	0	320,000	320,000
<u>63,915</u>	<u>39,723</u>	<u>0</u>	<u>897,139</u>	<u>3,224,882</u>
0	0	3,774,382	0	3,774,382
(9,353)	0	0	0	(9,353)
0	0	0	0	93,122
0	0	0	0	21,765
0	0	0	0	79,492
0	0	0	0	53,680
0	0	0	0	6,135
0	2,273	0	0	614,094
<u>(9,353)</u>	<u>2,273</u>	<u>3,774,382</u>	<u>0</u>	<u>4,633,317</u>
<u>\$54,562</u>	<u>\$41,996</u>	<u>\$3,774,382</u>	<u>\$897,139</u>	<u>\$7,858,199</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Revenues:</b>						
Property Taxes	\$1,489,707	\$0	\$67,223	\$0	\$0	\$1,556,930
Income Taxes	361,705	0	0	180,852	0	542,557
Intergovernmental	3,009,134	186,541	3,827	96,608	0	3,296,110
Interest	51,439	0	0	2,874	0	54,313
Tuition and Fees	68,090	0	0	0	0	68,090
Rent	1,030	0	0	0	0	1,030
Extracurricular Activities	0	60,909	0	0	0	60,909
Gifts and Donations	1,497	10,031	0	0	0	11,528
Miscellaneous	6,034	0	0	0	0	6,034
<b>Total Revenues</b>	<u>4,988,636</u>	<u>257,481</u>	<u>71,050</u>	<u>280,334</u>	<u>0</u>	<u>5,597,501</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,404,677	69,633	0	60,508	0	2,534,818
Special	278,438	95,543	0	0	0	373,981
Vocational	51,173	0	0	0	0	51,173
Support Services:						
Pupils	189,326	18,258	0	0	0	207,584
Instructional Staff	237,835	10,357	0	0	0	248,192
Board of Education	2,063	0	0	0	0	2,063
Administration	389,058	0	0	0	0	389,058
Fiscal	142,425	0	1,446	2,885	0	146,756
Business	2,141	0	0	0	0	2,141
Operation and Maintenance of Plant	398,556	150	0	2,550	0	401,256
Pupil Transportation	428,425	0	0	0	0	428,425
Central	0	11,070	0	0	0	11,070
Operation of Non-Instructional Services	0	677	0	0	2,300	2,977
Extracurricular Activities	82,844	49,804	0	0	0	132,648
Capital Outlay	4,567	0	0	201,071	0	205,638
Debt Service:						
Principal Retirement	9,117	0	25,000	0	0	34,117
Interest and Fiscal Charges	11,253	0	25,353	0	0	36,606
<b>Total Expenditures</b>	<u>4,631,898</u>	<u>255,492</u>	<u>51,799</u>	<u>267,014</u>	<u>2,300</u>	<u>5,208,503</u>
Excess of Revenues Over (Under) Expenditures	<u>356,738</u>	<u>1,989</u>	<u>19,251</u>	<u>13,320</u>	<u>(2,300)</u>	<u>388,998</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	1	0	0	0	0	1
Operating Transfers In	0	7,473	0	0	0	7,473
Operating Transfers Out	(25,973)	0	0	0	0	(25,973)
<b>Total Other Financing Sources (Uses)</b>	<u>(25,972)</u>	<u>7,473</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(18,499)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	330,766	9,462	19,251	13,320	(2,300)	370,499
Fund Balances at Beginning of Year	74,501	63,324	245,042	105,328	4,573	492,768
Increase in Reserve for Inventory	5,021	0	0	0	0	5,021
<b>Fund Balances at End of Year</b>	<u>\$410,288</u>	<u>\$72,786</u>	<u>\$264,293</u>	<u>\$118,648</u>	<u>\$2,273</u>	<u>\$868,288</u>

See Accompanying Notes to the General Purpose Financial Statements

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property and Other Taxes	\$1,482,110	\$1,488,260	\$6,150	\$0	\$0	\$0
Income Taxes	360,000	354,384	(5,616)	0	0	0
Intergovernmental	3,086,655	3,086,346	(309)	132,275	124,801	(7,474)
Interest	45,000	45,772	772	0	0	0
Tuition and Fees	37,000	36,301	(699)	0	0	0
Rent	1,000	1,030	30	0	0	0
Extracurricular Activities	0	0	0	61,216	60,823	(393)
Gifts and Donations	3,000	1,497	(1,503)	9,309	10,031	722
Miscellaneous	4,662	6,036	1,374	0	0	0
<b>Total Revenues</b>	<b>5,019,427</b>	<b>5,019,626</b>	<b>199</b>	<b>202,800</b>	<b>195,655</b>	<b>(7,145)</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,297,625	2,260,974	36,651	75,287	70,318	4,969
Special	274,859	274,819	40	65,465	56,217	9,248
Vocational	51,728	50,913	815	0	0	0
Other	189,195	160,167	29,028	0	0	0
Support Services:						
Pupils	191,463	187,465	3,998	16,116	13,430	2,686
Instructional Staff	251,325	248,088	3,237	5,495	4,620	875
Board of Education	5,002	2,063	2,939	0	0	0
Administration	410,578	398,672	11,906	0	0	0
Fiscal	163,068	143,651	19,417	0	0	0
Business	2,162	2,141	21	0	0	0
Operation and Maintenance of Plant	420,794	403,718	17,076	150	150	0
Pupil Transportation	435,266	432,781	2,485	0	0	0
Central	615	0	615	13,272	13,272	0
Operation of Non-Instructional Services	792	0	792	700	650	50
Extracurricular Activities	90,698	81,500	9,198	52,086	48,916	3,170
Capital Outlay	30,085	24,454	5,631	0	0	0
Debt Service:						
Principal Retirement	9,121	9,117	4	0	0	0
Interest and Fiscal Charges	11,254	11,253	1	0	0	0
<b>Total Expenditures</b>	<b>4,835,630</b>	<b>4,691,776</b>	<b>143,854</b>	<b>228,571</b>	<b>207,573</b>	<b>20,998</b>
Excess of Revenues Over (Under) Expenditures	183,797	327,850	144,053	(25,771)	(11,918)	13,853
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	54	86	32	0	0	0
Proceeds from Sale of Fixed Assets	0	1	1	0	0	0
Advances In	80,000	80,610	610	5,000	10,000	5,000
Advances Out	(10,032)	(10,000)	32	(5,000)	(10,000)	(5,000)
Operating Transfers In	0	0	0	5,000	7,473	2,473
Operating Transfers Out	(7,500)	(7,473)	27	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>62,522</b>	<b>63,224</b>	<b>702</b>	<b>5,000</b>	<b>7,473</b>	<b>2,473</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	246,319	391,074	144,755	(20,771)	(4,445)	16,326
Fund Balances at Beginning of Year	181,452	181,452	0	64,194	64,194	0
Prior Year Encumbrances Appropriated	50,042	50,042	0	2,988	2,988	0
<b>Fund Balances at End of Year</b>	<b>\$477,813</b>	<b>\$622,568</b>	<b>\$144,755</b>	<b>\$46,411</b>	<b>\$62,737</b>	<b>\$16,326</b>

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$69,953	\$66,897	(\$3,056)	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	178,086	177,192	(894)	0	0	0
391	3,827	3,436	23,260	96,608	73,348	0	0	0
0	0	0	2,000	2,894	894	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
70,344	70,724	380	203,346	276,694	73,348	0	0	0
0	0	0	107,462	100,748	6,714	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
1,927	1,446	481	3,063	2,885	178	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	3,565	2,550	1,015	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	3,300	2,300	1,000
0	0	0	0	0	0	0	0	0
0	0	0	234,909	230,226	4,683	0	0	0
25,000	25,000	0	0	0	0	0	0	0
27,259	25,353	1,906	0	0	0	0	0	0
54,186	51,799	2,387	348,999	336,409	12,590	3,300	2,300	1,000
16,158	18,925	2,767	(145,653)	(59,715)	85,938	(3,300)	(2,300)	1,000
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	73,348	0	(73,348)	0	0	0
0	0	0	0	(70,610)	(70,610)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	73,348	(70,610)	(143,958)	0	0	0
16,158	18,925	2,767	(72,305)	(130,325)	(58,020)	(3,300)	(2,300)	1,000
241,593	241,593	0	60,646	60,646	0	4,573	4,573	0
0	0	0	82,515	82,515	0	0	0	0
\$257,751	\$260,518	\$2,767	\$70,856	\$12,836	(\$58,020)	\$1,273	\$2,273	\$1,000

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<b>Operating Revenues:</b>	
Sales	\$205,707
Other Revenues	164
Total Operating Revenues	<u>205,871</u>
<b>Operating Expenses:</b>	
Salaries and Wages	92,287
Fringe Benefits	38,050
Purchased Services	5,789
Supplies and Materials	942
Cost of Sales	124,566
Depreciation	3,069
Total Operating Expenses	<u>264,703</u>
Operating Loss	<u>(58,832)</u>
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	14,158
Interest	426
Federal and State Subsidies	54,072
Total Non-Operating Revenues	<u>68,656</u>
Net Income Before Operating Transfers	9,824
Operating Transfer In	<u>18,500</u>
Net Income	28,324
Retained Earnings (Deficit) at Beginning of Year - Restated	<u>(37,677)</u>
<b>Retained Earnings (Deficit) at End of Year</b>	<u><u>(\$9,353)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

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

**COMBINED STATEMENT OF CASH FLOWS  
ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities:

Cash Received from Customers	\$208,762
Other Operating Receipts	164
Cash Payments for Employee Services and Benefits	(126,617)
Cash Payments to Supplies for Goods and Services	(116,872)
Net Cash Used For Operating Activities	<u>(34,563)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies Received	59,537
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Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(2,440)
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Cash Flows from Investing Activities:

Interest	<u>426</u>
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Net Increase in Cash and Cash Equivalents	22,960
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Cash and Cash Equivalents Beginning of Year	<u>19,447</u>
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<b>Cash and Cash Equivalents End of Year</b>	<b><u><u>\$42,407</u></u></b>
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**Reconciliation of Operating Loss to Net**

**Cash Used For Operating Activities:**

Operating Loss	(\$58,832)
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Adjustments to Reconcile Operating Loss to

Net Cash Used For Operating Activities:

Depreciation	3,069
Donated Commodities Received	14,158
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	3,054
Decrease in Inventory of Supplies and Materials	277
Increase in Inventory Held for Resale	(395)
Increase in Accounts Payable	386
Decrease in Accrued Wages and Benefits Payable	(629)
Increase in Intergovernmental Payable	2,089
Increase in Compensated Absences Payable	2,260

<b>Net Cash Used For Operating Activities</b>	<b><u><u>(\$34,563)</u></u></b>
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**Non-Cash Noncapital Financing Activities:**

Advances from the General fund in the amount of \$18,500 made in prior years to the food service enterprise fund were converted to permanent transfers.

See Accompanying Notes to the General Purpose Financial Statements

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS - BUDGET (NON GAAP BASIS) AND ACTUAL  
ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$194,486	\$208,762	\$14,276
Interest	300	284	(16)
Federal and State Subsidies	57,000	59,537	2,537
Other	250	164	(86)
Total Revenues	252,036	268,747	16,711
<b>Expenses:</b>			
Salaries and Wages	84,317	84,190	127
Fringe Benefits	42,799	42,427	372
Purchased Services	6,218	5,789	429
Supplies and Materials	121,173	110,803	10,370
Capital Outlay	5,200	5,169	31
Total Expenses	259,707	248,378	11,329
Excess of Revenues Over (Under) Expenses Before Advances	(7,671)	20,369	28,040
Advances In	16,500	0	(16,500)
Excess of Revenues and Advances In Over Expenses	8,829	20,369	11,540
Retained Earnings at Beginning of Year	19,079	19,079	0
Prior Year Encumbrances Appropriated	368	368	0
<b>Retained Earnings at End of Year</b>	<b>\$28,276</b>	<b>\$39,816</b>	<b>\$11,540</b>

See Accompanying Notes to the General Purpose Financial Statements



**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Hardin-Houston Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The School District is located in Shelby County. It is staffed by 47 non-certificated employees and 56 certificated full-time teaching personnel and 4 administrative employees who provide services to 971 students and other community members. The School District currently operates 2 instructional/support buildings.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Hardin-Houston Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with three jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Notes 18 and 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**General Fund**

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

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Capital Projects Funds**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Type**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Funds**

Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**4. Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have any contributed capital. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, interest, interfund, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The title VI-B, title III and preschool special revenue fund's grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the fund level for all funds, except the general fund and the bond retirement debt service fund. The legal level of control for these two funds is at the function level with the fund. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Advances In and Advance Out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.

**2. Estimated Resources**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, except as previously stated, which are the legal levels of budgetary control.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within the general fund and the bond retirement debt service fund must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; some of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than the agency funds, consistent with statutory provisions.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2000, investments were limited to a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value, that is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The balance of various grants administered by the fiscal agent is presented on the balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits of the Shelby County Educational Service Center.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$51,439, which includes \$26,178 assigned from other School District funds. In addition, the enterprise funds received \$426 in interest. The capital project funds also received interest in the amount of \$2,874.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and non-food supplies, and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**G. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**I. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

**General Fund**

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Title VI-R
- Textbook Instructional Material Subsidy
- Title III
- Preschool
- School Net Professional Development
- Ohio Reads
- Continuous Improvement
- Virtual Middle School
- Library Grant
- E-Rate

**Capital Projects Funds**

- School Net
- Technology Equity
- Distance Learning
- Power-Up
- Emergency Building Repair



**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reimbursable Grants**

**General Fund**

Driver Education

**Special Revenue Fund**

E-rate

**Proprietary Funds**

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 58 percent of governmental fund revenue during the 2000 fiscal year.

**J. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid with current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory of supplies and materials, property taxes, budget stabilization and school bus purchases. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be a set-aside by statute to protect against cyclical changes in revenues and expenditures.

**O. Estimates**

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

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. PRIOR PERIOD ADJUSTMENT**

The School District restated food service enterprise fund retained earnings for \$1,895, from (\$37,180) to (\$35,285). The restatement was for fixed assets that were incorrectly recorded in the general fixed assets account group. The restatement for fixed assets in the general fixed assets account group was for \$8,856, from \$3,555,160 to \$3,546,304. The restatement amounts are different due to accumulated depreciation.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. ACCOUNTABILITY**

At June 30, 2000, the uniform school supplies enterprise fund had deficit retained earnings of \$11,268. The deficit in the fund is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficit. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Budget (Non GAAP Basis) and Actual -

All Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Hardin-Houston Local School District are included in the special revenue funds for GAAP reporting purposes.
6. Advance In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$330,766	\$9,462	\$19,251	\$13,320	(\$2,300)
Revenue Accruals	31,076	(3,507)	(326)	(3,640)	0
Expenditure Accruals	4,058	(984)	0	26,143	0
Prepaid Items	127	0	0	0	0
Excess of Revenues (Over) Expenditures for Nonbudgeted Funds	0	(3,798)	0	0	0
Advances	70,610	0	0	(70,610)	0
Encumbrances	(45,563)	(5,618)	0	(95,538)	0
Budget Basis	<u>\$391,074</u>	<u>(\$4,445)</u>	<u>\$18,925</u>	<u>(\$130,325)</u>	<u>(\$2,300)</u>

Net Income/Excess of Revenues and  
Advances In Over Expenses  
All Enterprise Funds

GAAP Basis	28,324
Revenue Accruals	(10,122)
Expense Accruals	3,870
Inventory of Supplies and Materials	(277)
Inventory Held for Resale	395
Depreciation Expense	3,069
Capital Outlay	(2,440)
Encumbrances	(2,450)
Budget Basis	<u>\$20,369</u>

**6. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

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 or 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount no to exceed twenty-five percent of the interim monies available for investment at any one time.

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

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements".

**Cash on Hand:** At fiscal year end, the School District had \$2,100 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The "cash and cash equivalents with fiscal agent" of \$10,006 shown in the special revenue funds is maintained with the Shelby County Educational Service Center. Disclosures regarding this amount can be obtained from their annual report.

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$919,252 and the bank balance was \$972,166. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$772,166 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School district's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had a repurchase agreement at year end, which is a Category 3 investment, with a fair value of \$274,136.

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement 9	\$1,205,494	\$0
Cash on Hand	(2,100)	0
Cash and Cash Equivalents		
With Fiscal Agent	(10,006)	0
Investments:		
Repurchase Agreement	(274,136)	274,136
GASB Statement 3	\$919,252	\$274,136

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**7. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000 on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true 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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,116,830	75%	\$48,165,640	69%
Public Utility	6,056,540	10	6,175,410	9
Tangible Personal Property	<u>9,301,637</u>	<u>15</u>	<u>15,820,935</u>	<u>22</u>
Total Assessed Value	<u>\$61,475,007</u>	<u>100%</u>	<u>\$70,161,985</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$28.50</u>		<u>\$28.50</u>	

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**7. PROPERTY TAXES (Continued)**

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became available as of June 30, 2000. Although total property tax allocations for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended and finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$75,717 in the general fund and \$3,775 in the debt service fund.

**8. INCOME TAX**

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

**9. RECEIVABLES**

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (student fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal intergovernmental receivables follows:

	Amounts
General Fund	
Drivers Education Reimbursement	\$500
SF 14 Adjustment	30,325
Tuition	1,261
Total General Fund	32,086
Special Revenue Fund:	
Virtual Middle School	4,658
Enterprise Fund:	
Food Service Fund	
Federal and State Subsidies	90
Total Intergovernmental Receivable	\$36,834



**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**10. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$93,763
Less Accumulated Depreciation	<u>(86,705)</u>
Net Fixed Assets	<u><u>\$7,058</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Restated Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$18,650	\$6,780	\$0	\$25,430
Buildings and Improvements	2,028,312	113,941	0	2,142,253
Furniture, Fixtures and Equipment	997,289	69,891	631	1,066,549
Vehicles	502,053	54,200	16,103	540,150
Totals	<u>\$3,546,304</u>	<u>\$244,812</u>	<u>\$16,734</u>	<u>\$3,774,382</u>

There was no significant construction in progress at June 30, 2000.

**11. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide/Wausau Insurance for property, general liability and automobile insurance. Coverages provided by Nationwide/Wausau Insurance are as follows:

	<u>Coverage</u>
Building and Contents - replacement cost (\$500 deductible)	\$13,075,700
Inland Marine Coverage (\$100 deductible)	285,766
Boiler and Machinery (\$1,000 deductible)	8,053,000
Crime Insurance (\$500 deductible)	15,000
Automobile Liability	2,000,000
Uninsured Motorists	500,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Umbrella Additional coverage	3,000,000

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

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Incorporated of Ohio provides administrative, cost control and actuarial services to the GRP.

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$31,756, \$53,055, and \$62,145, respectively; 26.03 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$23,491 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account group.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000 plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$135,059, \$116,133, and \$247,905, respectively; 83.74 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$21,962 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

**13. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$180,079 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health cost paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge during the 2000 fiscal year equaled \$69,554.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**14. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements, board policy and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 226 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days.

**B. Insurance Benefits**

The School District provides to its full-time employees medical and dental insurance through Blue Cross and Blue Shield. Optical insurance is provided by VisionPlus of America. Life and accidental death/dismemberment insurance is provided through Medical Life Insurance Company.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Amount Outstanding 6/30/99	Additions	Deductions	Amount Outstanding 6/30/00
1988 School Improvement Bond - 7.625%	\$345,000	\$0	\$25,000	\$320,000
1999 Energy Conservation Loan -5.95%	192,595	0	9,117	183,478
Intergovernmental Payable	54,662	61,611	54,662	61,611
Compensated Absences	331,473	57,700	57,123	332,050
<b>Total General Long-Term Obligations</b>	<b>\$923,730</b>	<b>\$119,311</b>	<b>\$145,902</b>	<b>\$897,139</b>

School Improvement General Obligation Bonds - In 1988, Hardin-Houston Local School District issued \$598,950 in unvoted general obligation bonds for the purpose of making school improvements. The bonds were issued for a twenty-five year period with final maturity at December 1, 2011. The debt will be paid from the bond retirement debt service fund.

The Energy Conservation Loan was established July 7, 1998, (adopted July 6, 1998 B.O.E. meeting) for \$199,096. The note was awarded and sold to Star Bank, N.A., Dayton, Oh. Beginning principal date December 1, 1998 ending March 1, 2013 (15 year period). The loan will be paid from the general fund.

Intergovernmental payable and compensated absences and will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's overall legal debt margin was \$5,994,579. The energy conservation debt margin was \$447,980 and the unvoted debt margin was \$70,162 at June 30, 2000.

Principal and interest requirements to retire general obligation debt, including the loan outstanding at June 30, 2000, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$34,665	\$34,151	\$68,816
2002	35,254	31,657	66,911
2003	35,877	29,128	65,005
2004	36,538	26,559	63,097
2005	37,526	24,838	62,364
2006-2010	202,638	78,444	281,082
2011-2013	<u>120,980</u>	<u>9,043</u>	<u>130,023</u>
<b>Total</b>	<b><u>\$503,478</u></b>	<b><u>\$233,820</u></b>	<b><u>\$737,298</u></b>

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**16. INTERFUND ACTIVITY**

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$23,015	\$0
Enterprise Fund:		
Uniform School Supplies	0	23,015
Total All Funds	\$23,015	\$23,015

**17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Hardin-Houston Local School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$186,114	\$19,757	\$205,871
Depreciation Expense	3,069	0	3,069
Operating Loss	(54,816)	(4,016)	(58,832)
Federal Donated Commodities	14,158	0	14,158
Interest	426	0	426
Federal and State Subsidies	54,072	0	54,072
Net Income (Loss)	32,340	(4,016)	28,324
Fixed Asset Additions	2,440	0	2,440
Fixed Asset Deletions	567	0	567
Transfer In	18,500	0	18,500
Net Working Capital (Deficit)	16,328	(11,268)	5,060
Total Assets	42,815	11,747	54,562
Long-Term Intergovernmental Payable	12,891	0	12,891
Long-Term Compensated Absences Payable	8,580	0	8,580
Total Equity (Deficit)	1,915	(11,268)	(9,353)
Encumbrances Outstanding at June 30, 2000	2,450	0	2,450

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization** - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts in a geographic area determined by the Ohio Department of Education.

The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid WOCO \$16,111 for services provided during the year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. During fiscal year 2000, the School District paid \$2,585 to the SOEPC from the general fund. Information can be obtained from Robert Brown, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All Superintendents except those from the educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All members are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets are distributed to the federal government, or to a state or local government, for a public purpose. During fiscal year 2000, the School District paid \$4,381 to SOITA from the general fund. Information can be obtained from Steve Strouse, Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**19. INSURANCE PURCHASING POOLS**

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

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

Each school district pays monthly premiums to the provider, Anthem Blue Cross/Blue Shield and Medical Life Insurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the educational service center. The degree of control exercised by any participating school district is limited to its representation on the committee. In fiscal year 2000, Hardin-Houston Local School District contributed \$448,793 which represents 22 percent of total contributions. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Pinnacle Advisory Group, 131 North Ludlow Street, Dayton, Ohio 45402.

**20. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,996,242 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.



**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**20. STATE SCHOOL FUNDING DECISION (Continued)**

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001. As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**21. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives monies designated for school bus purchases. This amount is shown as a reserve for bus purchases.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$53,680
Current Year Set-aside Requirement	102,060	102,060	0
Current Year Offsets	0	(177,192)	0
Qualifying Disbursements	<u>(126,896)</u>	<u>(19,732)</u>	<u>0</u>
Total	<u>(\$24,836)</u>	<u>(\$94,864)</u>	<u>\$53,680</u>
Set-aside Balance Carried Forward to FY 2001	<u>(\$24,836)</u>	<u>\$0</u>	<u>\$53,680</u>
Set-aside Cash Balance Carried Forward to FY 2001	<u>\$ 0</u>	<u>\$0</u>	<u>\$53,680</u>

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

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

**22. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**B. Litigation**

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**23. CONTRACTUAL COMMITMENTS**

As of June 30, 2000, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Taylor Classroom Sales, Inc.	Modular Classrooms	\$59,887

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

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$148,945	\$67,179	\$241,593	\$143,160
Cash and Cash Equivalents with Fiscal Agents	0	6,208	0	0
Receivables:				
Property and Other Local Taxes	1,281,292	0	58,171	0
Income Tax	111,040	0	0	55,520
Accounts	0	0	0	0
Intergovernmental	781	1,237	0	0
Accrued Interest	1,172	0	0	586
Interfund	112,125	0	0	0
Prepaid Items	7,691	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	82,550	0	0	0
Inventory of Supplies and Materials	16,745	0	0	0
Inventory Held for Resale	0	0	0	0
Fixed Assets	0	0	0	0
Accumulated Depreciation	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$1,762,341</u></b>	<b><u>\$74,624</u></b>	<b><u>\$299,764</u></b>	<b><u>\$199,266</u></b>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities:</b>				
Accounts Payable	\$3,912	\$1,078	\$0	\$994
Contracts Payable	0	0	0	22,334
Accrued Wages Payable	391,974	9,825	0	0
Intergovernmental Payable	79,114	400	0	0
Interfund Payable	0	0	0	70,610
Due to Students	0	0	0	0
Deferred Revenue	1,207,022	0	54,722	0
Compensated Absences Payable	5,818	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>1,687,840</u></b>	<b><u>11,303</u></b>	<b><u>54,722</u></b>	<b><u>93,938</u></b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved, Undesignated (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	47,938	1,910	0	82,140
Reserved for Property Taxes	74,270	0	3,449	0
Reserved for Inventory	16,745	0	0	0
Reserved for School Bus Purchases	28,870	0	0	0
Reserved for Budget Stabilization	53,680	0	0	0
Unreserved, Undesignated (Deficit)	(147,002)	61,411	241,593	23,188
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b><u>74,501</u></b>	<b><u>63,321</u></b>	<b><u>245,042</u></b>	<b><u>105,328</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$1,762,341</u></b>	<b><u>\$74,624</u></b>	<b><u>\$299,764</u></b>	<b><u>\$199,266</u></b>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$19,447	\$41,878	\$0	\$0	\$662,202
0	0	0	0	6,208
0	0	0	0	1,339,463
0	0	0	0	166,560
3,054	0	0	0	3,054
5,555	0	0	0	7,573
0	0	0	0	1,758
0	0	0	0	112,125
0	0	0	0	7,691
0	0	0	0	82,550
806	0	0	0	17,551
4,474	0	0	0	4,474
83,034	0	3,555,160	0	3,638,194
(77,242)		0	0	(77,242)
0	0	0	245,042	245,042
0	0	0	678,688	678,688
<b>\$39,128</b>	<b>\$41,878</b>	<b>\$3,555,160</b>	<b>\$923,730</b>	<b>\$6,895,891</b>
\$0	\$0	\$0	\$0	5,984
0	0	0	0	22,334
14,402	0	0	0	416,201
13,681	0	0	54,662	147,857
41,515	0	0	0	112,125
0	37,305	0	0	37,305
2,783	0	0	0	1,264,527
6,320	0	0	331,473	343,611
0	0	0	192,595	192,595
0	0	0	345,000	345,000
78,701 *	37,305	0	923,730	2,887,539
0	0	3,555,160	0	3,555,160
(39,573)	0	0	0	(39,573)
0	0	0	0	131,988
0	0	0	0	77,719
0	0	0	0	16,745
0	0	0	0	28,870
0	0	0	0	53,680
0	4,573	0	0	183,763
(39,573)	4,573	3,555,160	0	4,008,352
<b>\$39,128</b>	<b>\$41,878</b>	<b>\$3,555,160</b>	<b>\$923,730</b>	<b>\$6,895,891</b>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum) Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Property and Other Local Taxes	\$1,289,422	\$0	\$58,298	\$0	\$0	\$1,347,720
Income Tax	344,617	0	0	172,308	0	516,925
Intergovernmental	2,794,687	117,283	5,944	475,374	0	3,393,288
Interest	41,323	0	0	1,937	0	43,260
Tuition and Fees	64,224	0	0	0	0	64,224
Gifts and Donations	3,858	7,315	0	0	0	11,173
Extracurricular Activities	354	71,487	0	0	0	71,841
Rent	1,654	0	0	0	0	1,654
Charges for Services	368	0	0	0	0	368
Miscellaneous	21,146	5,000	0	50	0	26,196
<b>Total Revenues</b>	<b>4,561,653</b>	<b>201,085</b>	<b>64,242</b>	<b>649,669</b>	<b>0</b>	<b>5,476,649</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,240,632	20,514	0	122,273	0	2,383,419
Special	269,648	88,181	0	0	0	357,829
Vocational	47,170	0	0	0	0	47,170
Other	173,306	3,244	0	0	0	176,550
Support Services:						
Pupils	147,124	22,704	0	0	0	169,828
Instructional Staff	234,125	2,394	0	1,020	0	237,539
Board of Education	2,002	0	0	0	0	2,002
Administration	408,137	82	0	8,900	0	417,119
Fiscal	175,978	37	1,927	2,129	0	180,071
Business	3,465	115	0	0	0	3,580
Operation and Maintenance of Plant	378,411	0	0	14,565	0	392,976
Pupil Transportation	360,690	0	0	0	0	360,690
Central	615	12,945	0	0	0	13,560
Operation of Non-Instructional Services	4,565	532	0	0	4,800	9,897
Extracurricular Activities	74,769	45,322	0	0	0	120,091
Capital Outlay	285	0	0	679,035	0	679,320
Debt Service:						
Principal Retirement	6,491	0	25,000	0	0	31,491
Interest and Fiscal Charges	10,564	0	27,259	0	0	37,823
<b>Total Expenditures</b>	<b>4,537,977</b>	<b>196,070</b>	<b>54,186</b>	<b>827,922</b>	<b>4,800</b>	<b>5,620,955</b>
Excess of Revenues Over (Under) Expenditures	23,676	5,015	10,056	(178,253)	(4,800)	(144,306)
<b>Other Financing Source (Use):</b>						
Operating Transfers In	0	10,000	0	0	8,400	18,400
Proceeds from Sale of Long-Term Notes	0	0	0	199,086	0	199,086
Operating Transfers Out	(18,400)	0	0	0	0	(18,400)
<b>Total Other Financing Source (Use)</b>	<b>(18,400)</b>	<b>10,000</b>	<b>0</b>	<b>199,086</b>	<b>8,400</b>	<b>199,086</b>
Excess of Revenues and Other Financing Source Over Expenditures and Other Financing Use	5,276	15,015	10,056	20,833	3,600	54,780
Fund Balances at Beginning of Year	68,028	48,306	234,986	84,495	973	436,788
Increase in Reserve for Inventory	1,197	0	0	0	0	1,197
<b>Fund Balances at End of Year</b>	<b>\$74,501</b>	<b>\$63,321</b>	<b>\$245,042</b>	<b>\$105,328</b>	<b>\$4,573</b>	<b>\$492,765</b>

See Accompanying Notes to the General Purpose Financial Statements

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property and Other Local Taxes	\$1,263,045	\$1,263,045	\$0	\$0	\$0	\$0
Income Tax	345,264	345,264	0	0	0	0
Intergovernmental	2,830,066	2,830,066	0	74,982	74,982	0
Interest	42,030	42,030	0	0	0	0
Tuition and Fees	85,923	85,923	0	0	0	0
Gifts and Donations	3,858	3,858	0	7,315	7,315	0
Extracurricular Activities	1,121	1,121	0	71,487	71,487	0
Rent	1,654	1,654	0	0	0	0
Charges for Services	368	368	0	0	0	0
Miscellaneous	13,890	13,890	0	0	0	0
<b>Total Revenues</b>	<b>4,587,219</b>	<b>4,587,219</b>	<b>0</b>	<b>153,784</b>	<b>153,784</b>	<b>0</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,221,153	2,221,153	0	20,981	20,981	0
Special	274,859	274,859	0	53,962	53,962	0
Vocational	46,728	46,728	0	0	0	0
Other	189,195	189,195	0	3,244	3,244	0
Support Services:						
Pupils	159,463	159,463	0	16,820	16,820	0
Instructional Staff	231,325	231,325	0	500	500	0
Board of Education	2,002	2,002	0	0	0	0
Administration	394,933	394,933	0	0	0	0
Fiscal	178,146	178,146	0	0	0	0
Business	3,465	3,465	0	0	0	0
Operation and Maintenance of Plant	379,105	379,105	0	0	0	0
Pupil Transportation	355,266	355,266	0	0	0	0
Central	615	615	0	12,301	12,301	0
Operation of Non-Instructional Services						
Services	4,565	4,565	0	532	532	0
Extracurricular Activities	74,698	74,698	0	46,417	46,417	0
Capital Outlay	285	285	0	0	0	0
Debt Service:						
Principal Retirement	6,491	6,491	0	0	0	0
Interest and Fiscal Charges	10,564	10,564	0	0	0	0
<b>Total Expenditures</b>	<b>4,532,858</b>	<b>4,532,858</b>	<b>0</b>	<b>154,757</b>	<b>154,757</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	54,361	54,361	0	(973)	(973)	0
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	5,581	5,581	0	2,643	2,643	0
Advances In	0	0	0	0	0	0
Other Financing Sources	3,250	3,250	0	5,000	5,000	0
Operating Transfers In	0	0	0	10,000	10,000	0
Proceeds from Sale of Long-Term Notes	0	0	0	0	0	0
Operating Transfers Out	(18,400)	(18,400)	0	0	0	0
Advances Out	(108,625)	(108,625)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(118,194)</b>	<b>(118,194)</b>	<b>0</b>	<b>17,643</b>	<b>17,643</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(63,833)	(63,833)	0	16,670	16,670	0
Fund Balances at Beginning of Year	173,698	173,698	0	45,036	45,036	0
Prior Year Encumbrances Appropriated	71,587	71,587	0	2,484	2,484	0
<b>Fund Balances at End of Year</b>	<b>\$181,452</b>	<b>\$181,452</b>	<b>\$0</b>	<b>\$64,190</b>	<b>\$64,190</b>	<b>\$0</b>

See Accompanying Notes to the General Purpose Financial Statements



Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$57,223	\$57,223	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	172,632	172,632	0	0	0	0
5,944	5,944	0	475,374	475,374	0	0	0	0
0	0	0	1,840	1,840	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	50	50	0	0	0	0
<u>63,167</u>	<u>63,167</u>	<u>0</u>	<u>649,896</u>	<u>649,896</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	126,520	126,520	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
1,927	1,927	0	8,900	8,900	0	0	0	0
0	0	0	2,063	2,063	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	14,565	14,565	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	4,800	4,800	0
0	0	0	0	0	0	0	0	0
0	0	0	778,720	778,720	0	0	0	0
25,000	25,000	0	0	0	0	0	0	0
27,259	27,259	0	0	0	0	0	0	0
<u>54,186</u>	<u>54,186</u>	<u>0</u>	<u>931,788</u>	<u>931,788</u>	<u>0</u>	<u>4,800</u>	<u>4,800</u>	<u>0</u>
8,981	8,981	0	(281,892)	(281,892)	0	(4,800)	(4,800)	0
0	0	0	0	0	0	0	0	0
0	0	0	70,610	70,610	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	8,400	8,400	0
0	0	0	199,086	199,086	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>269,696</u>	<u>269,696</u>	<u>0</u>	<u>8,400</u>	<u>8,400</u>	<u>0</u>
8,981	8,981	0	(12,196)	(12,196)	0	3,600	3,600	0
232,612	232,612	0	25,998	25,998	(0)	973	973	0
0	0	0	46,843	46,843	0	0	0	0
<u>\$241,593</u>	<u>\$241,593</u>	<u>\$0</u>	<u>\$60,645</u>	<u>\$60,645</u>	<u>(\$0)</u>	<u>\$4,573</u>	<u>\$4,573</u>	<u>\$0</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$191,895
Other	739
Total Operating Revenues	192,634
<b>Operating Expenses:</b>	
Salaries	86,900
Fringe Benefits	40,100
Purchased Services	4,817
Materials and Supplies	3,030
Cost of Sales	133,160
Depreciation	2,021
Total Operating Expenses	270,028
Operating Loss	(77,394)
<b>Non-Operating Revenues:</b>	
Federal and State Subsidies	45,372
Interest	169
Federal Donated Commodities	13,290
Total Non-Operating Revenues	58,831
Net Loss	(18,563)
Retained Earnings Deficit at Beginning of Year	(21,010)
Retained Earnings Deficit at End of Year	(\$39,573)

See Accompanying Notes to the General Purpose Financial Statements

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

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>Enterprise</b>
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$188,841
Other Operating Receipts	739
Cash Payments for Employee Services and Benefits	(126,812)
Cash Payments to Suppliers for Goods and Services	(127,627)
Net Cash Used in Operating Activities	(64,859)
 Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	44,926
Advance In	38,015
Net Cash Provided by Noncapital Financing Activities	82,941
 Cash Flows from Investing:	
Interest	169
 Net Decrease in Cash and Cash Equivalents	18,251
 Cash and Cash Equivalents Beginning of Year	1,196
 <b>Cash and Cash Equivalents End of Year</b>	<b>\$19,447</b>
 <b><u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</u></b>	
Operating Loss	(\$77,394)
 Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	2,021
Donated Commodities Received	13,290
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(3,054)
Increase in Supplies Inventory	(82)
Decrease in Inventory Held for Resale	172
Increase in Accrued Salaries Payable	1,117
Decrease in Intergovernmental Payable	(502)
Decrease in Compensated Absences Payable	(427)
<b>Net Cash Used in Operating Activities</b>	<b>(\$64,859)</b>

See Accompanying Notes to the General Purpose Financial Statements

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>Enterprise Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$188,841	\$188,841	\$0
Federal and State Subsidies	44,926	44,926	0
Interest	169	169	0
Other	739	739	0
Total Revenues	234,675	234,675	0
<b>Expenses:</b>			
Salaries	86,017	86,017	0
Fringe Benefits	40,799	40,799	0
Purchased Services	4,818	4,818	0
Materials and Supplies	123,173	123,173	0
Total Expenses	254,807	254,807	0
Excess of Revenues Under Expenses Before Advance	(20,132)	(20,132)	0
Advance In	38,015	38,015	0
Excess of Revenues and Advance In Over Expenses	17,883	17,883	0
Fund Equity at Beginning of Year	207	207	0
Prior Year Encumbrances Appropriate	988	988	0
<b>Fund Equity at End of Year</b>	<b>\$19,078</b>	<b>\$19,078</b>	<b>\$0</b>

See Accompanying Notes to the General Purpose Financial Statements

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Hardin-Houston Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The School District is located in Shelby County. It is staffed by 47 non-certificated employees and 57 certificated full-time teaching personnel and 4 administrative employees who provide services to 908 students and other community members. The School District currently operates 2 instructional/support buildings.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Hardin-Houston Local School District, this includes general operations, food service and student related activities of the School District.

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

The School District is associated with three jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Note 18 and 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Information Technology Association

Insurance Purchasing Pools:

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**General Fund**

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

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Capital Projects Funds**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting (Continued)**

**2. Proprietary Fund Types**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Funds**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust and an agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental fund. The agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, interest, interfund, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.



**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The Eisenhower and preschool special revenue fund's grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.

**2. Estimated Resources**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. At the year-end the School District requested and received an amended certificate of estimated resources that reflected actual revenues for the fiscal year.

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process (Continued)**

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than the agency funds, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures for the fiscal year.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The balance of the Eisenhower, Title VI-B and Preschool special revenue grant activity administered by the fiscal agent is presented on the balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits of the Shelby County Educational Service Center.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$41,323, which includes \$18,595 assigned from other School District funds. The capital project fund also received interest in the amount of \$1,937.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased held for resale, and non-food supplies are expensed when used.

**F. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**I. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

**General Fund**

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Textbook Instructional Material Subsidy
- Eisenhower
- Preschool
- Continuous Improvement

**Capital Projects Funds**

- School Net
- Technology Equity
- Distance Learning
- Power-Up

**Reimbursable Grants**

**General Fund**

- Driver Education

**Special Revenue Fund**

- E-Rate

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Grants and entitlements received in governmental funds amounted to 63 percent of the School District's operating revenue during the 1999 fiscal year.

**J. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid with current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, inventory, school bus purchases and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be a set-aside by statute to protect against cyclical changes in revenues and expenditures.

**O. Estimates**

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

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. RESTATEMENT OF FUND EQUITY**

Fund balance has been restated for the general fund due to an understatement of cash. The restatement to the opening fund balance is as follows:

	Previously Stated Balance at 6/30/98	Adjustments	Restated Balance at 7/1/98
Governmental Fund:			
General	\$68,137	(\$109)	\$68,028

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**4. COMPLIANCE AND ACCOUNTABILITY**

At June 30, 1999, Title I special revenue fund has a deficit fund balance of \$1,495, which was created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. Also, the food service and uniform school supplies enterprise funds have deficit retained earnings of \$32,321 and \$7,252 respectively. The deficits in the food service and uniform school supplies enterprise funds is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficits.

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes.
6. Advance in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$5,276	\$15,015	\$ 10,056	\$20,833	\$3,600
Revenue Accruals	34,397	(1,067)	(1,075)	227	0
Expenditure Accruals	55,161	3,925	0	(21,351)	0
Non-Budgeted Activity	0	1,786	0	0	0
Advances Out	(108,625)	0	0	70,610	0
Encumbrances	(50,042)	(2,989)	0	(82,515)	0
Budget Basis	<u>(\$63,833)</u>	<u>\$16,670</u>	<u>\$8,981</u>	<u>(\$12,196)</u>	<u>\$3,600</u>

Net Loss/Excess of Revenues  
Under Expenses and Advances  
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$18,563)
Revenue Accrual	(3,500)
Expense Accrual	369
Inventory Held for Resale	(172)
Material and Supplies Inventory	82
Advances In	38,015
Depreciation Expense	2,021
Encumbrances	(369)
Budget Basis	<u>\$17,883</u>

**6. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.



**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 accounts including passbook accounts.

Protection of the School 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.

Inactive monies are permitted to 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 or 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. 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.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

The grant money that is held by the Shelby County Educational Service Center of \$6,208 is not classified below. Information on the classification of these monies can be obtained through the Shelby County Educational Service Center.

**Cash on Hand:** At fiscal year end, the School District had \$2,135 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments Including Repurchase Agreements), and Reverse Repurchase Agreements".

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$742,617 and the bank balance was \$782,022. Of the bank balance:

1. \$100,000 was covered by federal depository insurance
2. \$682,022 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments:** The School District does not have any investments.

**7. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999 on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Real property taxes are payable annually or semi-annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$45,280,340	59%	\$46,116,830	75%
Public Utility	6,077,960	8	6,056,540	10
Tangible Personal Property	25,353,396	33	9,301,637	15
Total Assessed Value	<u>\$76,711,696</u>	<u>100.00%</u>	<u>\$61,475,007</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$28.50		\$28.50	

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became available as of June 30, 1999. Although total property tax allocations for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended and finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$74,270 in the general fund and \$3,449 in the debt service fund.

**8. INCOME TAX**

The School District levies a voted tax of 3/4 percent for general operations on the income of residents and of estates. Income tax revenue is credited to the General Fund (1/2 percent) and Permanent Improvement Capital Projects Fund (1/4 percent.) The General Fund tax was effective on January 1, 1991, and the Capital Projects Fund tax was effective January 1, 1997, both are continuing taxes. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**9. RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (student fees), interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal intergovernmental receivables follows:

	Amount
General Fund	
Drivers Education Reimbursement	\$750
Reimburse—phone calls	31
Total General Fund	781
Special Revenue Fund	
E-Rate	1,237
Food Service Enterprise Fund	
Federal and State Subsidies	5,555
Total Intergovernmental Receivable	\$7,573

**10. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$83,034
Less Accumulated Depreciation	(77,242)
Net Fixed Assets	\$5,792

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$13,452	\$0	\$0	\$13,452
Buildings and Improvements	1,329,609	703,171	0	2,032,780
Furniture, Fixtures and Equipment	856,864	153,162	3,151	1,006,875
Vehicles	502,053	0	0	502,053
Total General Fixed Assets	\$2,701,978	\$856,333	\$3,151	\$3,555,160

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**11. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide/Wausau Insurance for property, general liability and automobile insurance. Coverages provided by Nationwide/Wausau Insurance are as follows:

	<u>Coverage</u>
Building and Contents - replacement cost (\$500 deductible)	\$13,075,700
Inland Marine Coverage (\$100 deductible)	285,766
Boiler and Machinery (\$1,000 deductible)	8,053,000
Crime Insurance (\$500 deductible)	15,000
Automobile Liability	2,000,000
Uninsured Motorists	500,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Umbrella Additional Coverage	3,000,000

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

**B. Workers' Compensation**

For fiscal year 1999 the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Incorporated of Ohio provides administrative, cost control and actuarial services to the GRP.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 1999, 7.7 percent was the portion to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$53,055, \$62,145, and \$54,602, respectively; 42.09 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$30,723 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability; survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Hardin-Houston Local School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$116,133, \$247,905, and \$262,959, respectively; 80.76 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$22,341 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase of 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$154,843 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health cost paid by STRS were 219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase for 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge during the 1999 fiscal year equaled \$64,206.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**14. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements, board policy and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 226 days for all certified personnel and 226 for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days.

**B. Insurance Benefits**

The School District provides to its full-time employees medical insurance through Blue Cross/Community Mutual Group. The School District also provides dental, optical and accidental death/dismemberment insurance policy to its full-time employees.

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Amount Outstanding 6/30/98	Additions	Deductions	Amount Outstanding 6/30/99
1988 School Improvement - 7.625%	\$370,000	\$0	\$25,000	\$345,000
Energy Conservation Loan -5.95%	0	199,086	6,491	192,595
Intergovernmental Payable	55,376	54,662	55,376	54,662
Compensated Absences	337,514	0	6,041	331,473
<b>Total General Long-Term Obligations</b>	<b>\$762,890</b>	<b>\$253,748</b>	<b>\$92,908</b>	<b>\$923,730</b>

**School Improvement General Obligation Bonds** - In 1988, Hardin-Houston Local School District issued \$598,950 in unvoted general obligation bonds for the purpose of making school improvements. The bonds were issued for a twenty-five year period with final maturity at December 1, 2011. The debt will be paid from the bond retirement debt service fund.

The Energy Conservation Loan was established July 7, 1998, (adopted July 6, 1998 B.O.E. meeting) for \$199,086. The note was awarded and sold to Star Bank, N.A., Dayton, Oh. Beginning principal date December 1, 1998 ending March 1, 2013 (15 year period). The loan will be paid from the general fund.



**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

Compensated absences and intergovernmental payable will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund which the person is paid.

The School District's overall legal debt margin was \$5,432,793 with an unvoted debt margin of \$61,475 (Bond Retirement) and \$360,680 (Energy Conservation) at June 30, 1999. Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$34,110	\$36,612	\$70,722
2001	34,665	34,151	68,816
2002	35,254	31,657	66,911
2003	35,877	29,128	65,005
2004	36,538	26,559	63,097
2005-2009	194,118	92,587	286,705
2010-2013	167,033	19,738	186,771
Total	<u>\$537,595</u>	<u>\$270,432</u>	<u>\$808,027</u>

**16. INTERFUND ACTIVITY**

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivables Interfund	Payables Interfund
General Fund	\$112,125	\$0
Capital Projects Fund		
Emerg. Bldg. Repair	0	70,610
Enterprise Funds:		
Food Service	0	18,500
Uniform School Supplies	0	23,015
Total All Funds	<u>\$112,125</u>	<u>\$112,125</u>

**17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Hardin-Houston Local School District as of and for the fiscal year ended June 30, 1999.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$167,048	\$25,586	\$192,634
Operating Expenses less Depreciation	234,202	33,805	268,007
Depreciation Expense	2,021	0	2,021
Operating Loss	(69,174)	(8,220)	(77,394)
Donated Commodities	13,290	0	13,290
Federal and State Subsidies	45,372	0	45,372
Interest	169	0	169
Net Loss	(10,343)	(8,220)	(18,563)
Net Working Capital	(21,058)	(7,252)	(28,310)
Total Assets	\$23,365	\$15,763	\$39,128
Long-Term Portion of Intergovernmental Payable	10,735	0	10,735
Long-Term Portion of Compensated Absences	6,320	0	6,320
Total Equity (Deficit)	(32,321)	(7,252)	(39,573)
Encumbrances Outstanding at June 30, 1998	369	0	369

**18. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization** - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid WOCO \$14,610 for services provided during the year. Financial information can be obtained from Louis Ivey, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County ESC acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

During this time, the withdrawing member is liable for all member obligations. During fiscal year 1999, the School District paid \$14,041 to the SOEPC. Information can be obtained from Robert Brown, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Information Technology Association** - The Southwestern Ohio Information Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except those from the ESC vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area. All members are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets are distributed to the federal government, or to a state or local government, for a public purpose. During fiscal year 1999, the School District paid \$1,199 to SOITA. Information can be obtained from Steve Strouse, Director, at 105 East Sixth Street, Franklin, Ohio 45005.

**19. INSURANCE PURCHASING POOLS**

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

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

Each school district pays monthly premiums to the provider, Anthem Blue Cross/Blue Shield and National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. In fiscal year 1999, Hardin-Houston Local School District contributed \$454,796 which represents 24 percent of total contributions. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**20. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,781,753 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**21. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**21. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of 6/30/99	\$0	\$0	\$15,739	\$15,739
Current Year Set-aside Requirements	75,883	75,883	37,941	189,707
Current Year Offsets	(13,866)	(172,632)	0	(186,498)
Qualifying Disbursements	<u>(70,464)</u>	<u>0</u>	<u>0</u>	<u>(70,464)</u>
Total	<u>\$(8,447)</u>	<u>\$(96,749)</u>	<u>\$53,680</u>	<u>\$(51,516)</u>
Cash Balance Carried Forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$53,680</u>	\$53,680
Amount restricted for School Bus Purchases				<u>28,870</u>
Total Restricted Assets				<u>\$82,550</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amount to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**22. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND  
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of Hardin Houston Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated November 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 22, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the School District in a separate letter November 22, 2000.

Hardin Houston Local School District  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

November 22, 2000





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**HARDIN HOUSTON LOCAL SCHOOL DISTRICT**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 14, 2000**