

**HARRISON HILLS CITY SCHOOL DISTRICT**

General Purpose Financial Statements

Year Ended June 30, 2001

With

Independent Auditors' Report





STATE OF OHIO  
OFFICE OF THE AUDITOR

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Board of Education  
Harrison Hills City School District  
422 Normal Street  
Hopedale, Ohio 43976

We have reviewed the Independent Auditor's Report of the Harrison Hills City School District, Harrison County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Harrison Hills City School District is responsible for compliance with these laws and regulations.

JIM PETRO  
Auditor of State

January 16, 2002

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# HARRISON HILLS CITY SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Harrison Hills City School District:

We have audited the accompanying general purpose financial statements of Harrison Hills City School District as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 Harrison Hills City School District as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the general purpose financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* as of July 1, 2000. This results in a change to the School District's method of accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2001 on our consideration of the Harrison Hills City 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Harrison Hills City School District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 6, 2001

**HARRISON HILLS CITY SCHOOL DISTRICT**  
**HARRISON COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Fixed Assets	General	Long-Term Obligations		
<b>ASSETS AND OTHER DEBITS</b>												
<b>ASSETS:</b>												
Equity in pooled cash and cash equivalents	\$ 2,085,120	454,489	523,761	67,186	415	59,584	-	-	-	-	-	3,190,555
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-	-	-	399,593	-	-	-	-	-	399,593
Cash with fiscal agent	-	-	-	-	1,496,635	-	-	-	-	-	-	1,496,635
Receivables (net of allowances of uncollectibles):												
Taxes - current & delinquent	4,269,253	-	413,913	-	-	-	-	-	-	-	-	4,683,166
Accounts	11,788	-	-	10,086	-	-	-	-	-	-	-	21,874
Accrued interest	15,046	-	374	90	-	1,135	-	-	-	-	-	16,645
Due from other governments	136,679	-	-	7,844	-	-	-	-	-	-	-	144,523
Prepayments	28,438	-	-	-	-	-	-	-	-	-	-	28,438
Materials and supplies inventory	153,876	-	-	47,692	-	-	-	-	-	-	-	201,568
Interfund loan receivable	176,423	-	-	-	-	-	-	-	-	-	-	176,423
Restricted assets:												
Equity in pooled cash and cash equivalents	977,501	-	-	-	-	-	-	-	-	-	-	977,501
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	63,876	-	-	-	12,737,122	-	-	-	12,800,998
<b>OTHER DEBITS:</b>												
Amount to be provided for retirement of general long-term obligations	-	-	-	-	-	-	-	-	-	1,207,140	-	1,207,140
Total assets and other debits	\$ 7,854,124	454,489	938,048	196,774	1,497,050	460,312	-	12,737,122	-	1,207,140	-	25,345,059

The notes to the financial statements are an integral part of this statement.



**HARRISON HILLS CITY SCHOOL DISTRICT**  
**HARRISON COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)  
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Long-Term Obligations	General			
									General	Fixed Assets		
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>												
<b>LIABILITIES:</b>												
Accounts payable	\$ 160,637	15,542	5,224	11,411	280	105	-	-	-	-	-	193,199
Accrued wages and benefits	1,010,901	167,219	7	43,522	-	-	-	-	-	-	-	1,221,649
Compensated absences payable	14,361	-	-	18,596	-	-	-	-	1,046,606	-	-	1,079,563
Contracts payable	66,270	-	270,736	-	-	-	-	-	-	-	-	337,006
Accrued interest payable	18	-	-	-	-	-	-	-	-	-	-	18
Pension obligation payable	148,237	19,654	-	19,093	-	-	-	-	88,895	-	-	275,879
Interfund loan payable	-	176,423	-	-	-	-	-	-	-	-	-	176,423
Claims payable	-	-	-	-	586,552	-	-	-	-	-	-	586,552
Deferred revenue	4,067,089	-	413,913	5,000	-	-	-	-	-	-	-	4,486,002
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	4,150
Due to students	-	-	-	-	-	4,150	-	-	-	-	-	54,934
Energy conservation note payable	5,846	-	-	-	-	-	-	-	-	-	-	5,846
Capital lease obligation payable	-	-	-	-	-	-	-	-	71,639	-	-	71,639
<b>Total liabilities</b>	<b>5,473,359</b>	<b>378,838</b>	<b>689,880</b>	<b>97,622</b>	<b>586,832</b>	<b>59,189</b>	<b>-</b>	<b>-</b>	<b>1,207,140</b>	<b>-</b>	<b>-</b>	<b>8,492,860</b>
<b>EQUITY AND OTHER CREDITS:</b>												
Investment in general fixed assets	-	-	-	-	-	-	12,737,122	-	-	-	-	12,737,122
Contributed capital	-	-	-	147,720	-	-	-	-	-	-	-	147,720
Retained earnings (accumulated deficit)	-	-	-	(48,568)	910,218	-	-	-	-	-	-	861,650
<b>Fund balances:</b>												
Reserved for encumbrances	433,271	89,368	309,303	-	-	-	-	-	-	-	-	831,942
Reserved for prepayments	28,438	-	-	-	-	-	-	-	-	-	-	28,438
Reserved for materials and supplies inventory	153,876	-	-	-	-	-	-	-	-	-	-	153,876
Reserved for property tax advances	202,164	-	-	-	-	-	-	-	-	-	-	202,164
Reserved for principal endowment	-	-	-	-	-	400,623	-	-	-	-	-	400,623
Reserved for BWC refunds	73,694	-	-	-	-	-	-	-	-	-	-	73,694
Reserved for textbooks	404,370	-	-	-	-	-	-	-	-	-	-	404,370
Reserved for capital acquisition	499,437	-	-	-	-	-	-	-	-	-	-	499,437
<b>Unreserved:</b>												
Designated for budget stabilization	78,109	-	-	-	-	-	-	-	-	-	-	78,109
Unreserved-undesignated (deficit)	507,406	(13,717)	(61,135)	-	-	500	-	-	-	-	-	433,054
<b>Total equity and other credits</b>	<b>2,380,765</b>	<b>75,651</b>	<b>248,168</b>	<b>99,152</b>	<b>910,218</b>	<b>401,123</b>	<b>12,737,122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,852,199</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 7,854,124</b>	<b>454,489</b>	<b>938,048</b>	<b>196,774</b>	<b>1,497,050</b>	<b>460,312</b>	<b>12,737,122</b>	<b>-</b>	<b>1,207,140</b>	<b>-</b>	<b>-</b>	<b>25,345,059</b>

The notes to the financial statements are an integral part of this statement.

**HARRISON HILLS CITY SCHOOL DISTRICT**  
**HARRISON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Revenues:</b>					
From local sources:					
Taxes	\$ 3,971,927	-	364,071	-	4,335,998
Earnings on investments	243,150	-	8,145	-	251,295
Extracurricular	7,447	122,830	-	-	130,277
Other local revenues	98,886	16,302	-	-	115,188
Intergovernmental - State	6,522,529	440,710	261,992	-	7,225,231
Intergovernmental - Federal	-	1,328,736	-	-	1,328,736
<b>Total revenue</b>	<b>10,843,939</b>	<b>1,908,578</b>	<b>634,208</b>	<b>-</b>	<b>13,386,725</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	5,391,442	743,196	260,647	-	6,395,285
Special	933,101	677,102	-	-	1,610,203
Vocational	174,925	-	-	-	174,925
Other	-	-	-	400	400
Support services:					
Pupil	397,765	174,532	-	-	572,297
Instructional staff	193,178	150,115	-	-	343,293
Board of education	108,280	-	-	-	108,280
Administration	1,112,264	48,349	130	-	1,160,743
Fiscal	349,474	-	15,713	-	365,187
Operations and maintenance	994,069	-	-	-	994,069
Pupil transportation	967,161	23,387	-	-	990,548
Central	60,590	-	-	-	60,590
Community services	-	159,607	-	-	159,607
Extracurricular activities	98,362	13,106	-	-	111,468
Facilities acquisition and construction	142,532	-	420,052	-	562,584
Debt service:					
Principal retirement	5,592	-	-	-	5,592
Interest and fiscal charges	2,783	-	-	-	2,783
<b>Total expenditures</b>	<b>10,985,018</b>	<b>1,989,394</b>	<b>696,542</b>	<b>400</b>	<b>13,671,354</b>
Excess (deficiency) of revenues over (under) expenditures	(141,079)	(80,816)	(62,334)	(400)	(284,629)
Other financing sources:					
Proceeds from capital lease transaction	53,500	-	-	-	53,500
Operating transfers in	816	-	-	-	816
Operating transfers out	-	(816)	-	-	(816)
Proceeds from sale of fixed assets	5,312	-	-	-	5,312
<b>Total other financing sources</b>	<b>59,628</b>	<b>(816)</b>	<b>-</b>	<b>-</b>	<b>58,812</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(81,451)	(81,632)	(62,334)	(400)	(225,817)
Fund balances, July 1	2,457,919	157,283	310,502	900	2,926,604
Increase in reserve for inventory	4,297	-	-	-	4,297
<b>Fund balances, June 30</b>	<b>\$ 2,380,765</b>	<b>75,651</b>	<b>248,168</b>	<b>500</b>	<b>2,705,084</b>

The notes to the financial statements are an integral part of this statement.

**HARRISON HILLS CITY SCHOOL DISTRICT**  
**HARRISON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
From local sources:															
Taxes	3,993,713	4,009,261	15,548	-	-	-	10,881	10,881	-	390,660	391,080	420	4,395,254	4,411,222	15,968
Earnings on investments	254,157	255,146	989	-	-	-	-	-	-	8,345	8,355	10	262,502	263,501	999
Extracurricular	7,418	7,447	29	122,830	122,830	6	-	-	-	-	-	-	130,277	130,277	35
Other local revenues	98,503	98,886	383	16,301	16,301	-	-	-	-	-	-	-	114,804	115,188	384
Intergovernmental - State	6,342,062	6,366,750	24,688	589,020	589,044	24	-	-	-	261,709	261,991	282	7,192,791	7,217,785	24,994
Intergovernmental - Federal				1,299,473	1,299,525	52	-	-	-	-	-	-	1,299,473	1,299,525	52
Total revenues	10,695,853	10,737,490	41,637	2,027,618	2,027,701	83	10,881	10,881	-	660,714	661,426	712	13,395,066	13,437,498	42,432
<b>Expenditures:</b>															
Current:															
Regular	5,589,843	5,529,991	59,852	807,261	776,438	30,823	-	-	-	318,594	291,244	27,350	6,715,698	6,597,673	118,025
Special	934,311	933,080	1,231	833,406	694,848	138,558	-	-	-	-	-	-	1,767,717	1,627,928	139,789
Vocational	216,919	216,678	241	-	-	-	-	-	-	-	-	-	216,678	216,678	241
Support services:															
Pupil	460,104	457,513	2,591	202,121	173,280	28,841	-	-	-	-	-	-	662,225	630,793	31,432
Instructional staff	198,120	197,401	719	183,081	161,258	21,823	-	-	-	-	-	-	381,201	338,659	22,542
Board of Education	104,655	104,042	613	-	-	-	-	-	-	-	-	-	104,655	104,042	613
Administration	1,104,837	1,104,207	630	57,224	51,580	5,644	-	-	-	150	130	20	1,162,211	1,155,917	6,294
Fiscal	353,737	351,488	2,249	-	-	-	-	-	-	16,000	15,713	287	369,737	367,201	2,536
Operations and maintenance	1,082,532	1,081,358	1,174	-	-	-	-	-	-	808	808	808	1,083,340	1,081,358	1,982
Pupil transportation	1,109,657	1,107,806	1,851	24,800	23,187	1,613	-	-	-	62,191	62,190	1	1,196,648	1,193,183	3,465
Central	63,800	61,954	1,846	-	-	-	-	-	-	-	-	-	63,800	61,954	1,846
Extracurricular activities	99,925	98,532	1,393	207,829	201,093	6,736	-	-	-	-	-	-	307,754	299,625	8,129
Facilities acquisition and construction	321,694	212,683	109,011	39,625	18,395	21,230	-	-	-	1,077,151	1,075,809	1,342	1,438,470	1,306,887	131,583
Debt service:															
Principal retirement	-	-	-	-	-	-	10,138	10,138	-	-	-	-	10,138	-	-
Interest and fiscal charges	-	-	-	-	-	-	743	743	-	-	-	-	743	-	-
Total expenditures	11,640,134	11,456,733	183,401	2,355,347	2,100,079	255,268	10,881	10,881	-	1,474,894	1,445,086	29,808	15,481,256	15,012,779	468,477
Excess (deficiency) of revenues over (under) expenditures	(944,281)	(719,243)	225,038	(327,729)	(72,378)	255,351	-	-	-	(814,180)	(783,660)	30,520	(2,086,190)	(1,575,281)	510,909
Other financing sources (uses):															
Refund of prior year's expenditures	-	-	-	29,563	29,563	-	-	-	-	-	-	-	29,563	29,563	-
Refund of prior year's receipts	-	-	-	(62)	(62)	-	-	-	-	-	-	-	(62)	(62)	-
Operating transfers in	458,256	460,040	(1,784)	2,268	2,268	-	-	-	-	-	-	-	460,524	462,308	1,784
Operating transfers out	(459,224)	(459,224)	-	(3,084)	(3,084)	-	-	-	-	-	-	-	(462,308)	(462,308)	-
Advances in	36,857	37,000	(143)	28,149	28,150	1	-	-	-	-	-	-	65,006	65,150	144
Advances out	(28,150)	(28,150)	-	(37,000)	(37,000)	-	-	-	-	-	-	-	(65,150)	(65,150)	-
Proceeds of sale of fixed assets	5,291	5,312	(21)	-	-	-	-	-	-	-	-	-	5,291	5,312	21
Total other financing sources (uses)	13,030	14,978	1,948	19,834	19,835	1	-	-	-	-	-	-	32,864	34,813	1,949
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(931,251)	(704,265)	226,986	(307,895)	(52,543)	255,352	-	-	-	(814,180)	(783,660)	30,520	(2,053,326)	(1,540,468)	512,858
Fund balances, July 1	2,820,317	2,820,317	-	243,151	243,151	-	-	-	-	445,213	445,213	-	3,508,681	3,508,681	-
Prior year encumbrances appropriated	399,943	399,943	-	163,058	163,058	-	-	-	-	547,680	547,680	-	1,110,681	1,110,681	-
Fund balances, June 30	2,289,009	2,515,995	226,986	98,314	353,666	255,352	-	-	-	178,713	209,233	30,520	2,566,036	3,078,894	512,858

The notes to the financial statements are an integral part of this statement.

**HARRISON HILLS CITY SCHOOL DISTRICT**  
**HARRISON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS  
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Tuition and fees	\$ 15,917	-	-	15,917
Sales/charges for services	307,364	1,962,400	8,791	2,278,555
Investment earnings	-	-	21,343	21,343
Other operating revenues	-	-	9,120	9,120
<b>Total operating revenues</b>	<u>323,281</u>	<u>1,962,400</u>	<u>39,254</u>	<u>2,324,935</u>
Operating expenses:				
Personal services	364,388	153,248	-	517,636
Contract services	9,108	-	2,321	11,429
Materials and supplies	311,443	-	13,108	324,551
Depreciation	4,050	-	-	4,050
Claims expense	-	1,813,259	-	1,813,259
Other operating expenses	-	396	16,053	16,449
<b>Total operating expenses</b>	<u>688,989</u>	<u>1,966,903</u>	<u>31,482</u>	<u>2,687,374</u>
<b>Operating income (loss)</b>	<u>(365,708)</u>	<u>(4,503)</u>	<u>7,772</u>	<u>(362,439)</u>
Nonoperating revenues:				
Operating grants	316,595	-	-	316,595
Federal commodities	42,934	-	-	42,934
Interest revenue	1,209	65,943	-	67,152
Other nonoperating revenues	1,705	-	-	1,705
<b>Total nonoperating revenues</b>	<u>362,443</u>	<u>65,943</u>	<u>-</u>	<u>428,386</u>
<b>Net income (loss)</b>	<u>(3,265)</u>	<u>61,440</u>	<u>7,772</u>	<u>65,947</u>
Retained earnings (accumulated deficit) at July 1	<u>(45,303)</u>	<u>848,778</u>	<u>392,851</u>	<u>1,196,326</u>
Retained earnings (accumulated deficit) at June 30	<u>\$ (48,568)</u>	<u>910,218</u>	<u>400,623</u>	<u>1,262,273</u>

The notes to the financial statements are an integral part of this statement.

**HARRISON HILLS CITY SCHOOL DISTRICT**  
**HARRISON COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Cash flows from operating activities:</b>				
Cash received from tuition and fees	\$ 15,917	-	-	15,917
Cash received from sales/service charges	307,364	1,962,400	8,791	2,278,555
Cash received from other operations	-	-	9,120	9,120
Cash payments for personal services	(371,590)	(153,248)	-	(524,838)
Cash payments for contract services	(9,157)	-	(7,930)	(17,087)
Cash payments for materials and supplies	(294,077)	-	(14,469)	(308,546)
Cash payments for claims expenses	-	(1,545,398)	-	(1,545,398)
Cash payments for other expenses	-	(116)	(16,053)	(16,169)
<b>Net cash provided by (used in) operating activities</b>	<b>(351,543)</b>	<b>263,638</b>	<b>(20,541)</b>	<b>(108,446)</b>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from operating grants	353,157	-	-	353,157
Cash received from other noncapital financing activities	1,705	-	-	1,705
<b>Net cash provided by noncapital financing activities</b>	<b>354,862</b>	<b>-</b>	<b>-</b>	<b>354,862</b>
<b>Cash flows from investing activities:</b>				
Interest received	1,121	65,943	22,295	89,359
<b>Net cash provided by investing activities</b>	<b>1,121</b>	<b>65,943</b>	<b>22,295</b>	<b>89,359</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,440</b>	<b>329,581</b>	<b>1,754</b>	<b>335,775</b>
Cash and cash equivalents at beginning of year	62,746	1,167,469	397,839	1,628,054
Cash and cash equivalents at end of year	67,186	1,497,050	399,593	1,963,829
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	(365,708)	(4,503)	7,772	(362,439)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>				
Depreciation	4,050	-	-	4,050
Federal donated commodities	42,934	-	-	42,934
Interest reported as operating income	-	-	(21,343)	(21,343)
<b>Changes in assets and liabilities:</b>				
Increase in materials and supplies inventory	(26,268)	-	-	(26,268)
Increase in accounts receivable	(10,086)	-	-	(10,086)
Increase (decrease) in accounts payable	11,362	280	(6,970)	4,672
Increase in accrued wages and benefits	2,948	-	-	2,948
Decrease in compensated absences payable	(6,592)	-	-	(6,592)
Decrease in pension obligation payable	(3,558)	-	-	(3,558)
Increase in claims payable	-	267,861	-	267,861
Decrease in deferred revenue	(625)	-	-	(625)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (351,543)</b>	<b>263,638</b>	<b>(20,541)</b>	<b>(108,446)</b>

The notes to the financial statements are an integral part of this statement.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

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

The District was established in 1971 through the consolidation of existing land areas and school districts. The District serves an area of approximately 386 square miles. It is located primarily in Harrison County, however small portions of the District are located in Carroll County, Tuscarawas County, Belmont County, and Jefferson County. The District is the 277<sup>th</sup> largest in the State of Ohio (among 682 public and community school districts) in terms of enrollment. It is staffed by 107 non-certificated employees, 162 certificated employees, and 11 administrators who provide services to 2,159 students and other community members. The District currently operates 6 instructional buildings, 1 administrative building, and 1 garage.

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

The general purpose financial statements (GPFS) of the 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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Mid-Eastern Regional Education Service Agency

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

The OME-RESA is owned and operated by forty-nine member school districts in ten different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

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

Belmont Harrison Joint Vocational School

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

*INSURANCE PURCHASING POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

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

*General Fund* - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - The 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 expenditures 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* - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities that are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body 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 (b) where the governing body has 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.

Internal Service Funds - The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

*FIDUCIARY FUNDS*

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include a nonexpendable trust fund, an expendable trust fund and an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items, which, in other fund types, would be subject to accrual. See Note 3 for agency fund accruals, which, in another fund type, would be recognized in the combined balance sheet.

*ACCOUNT GROUPS*

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

*General Fixed Assets Account Group* - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**C. Measurement Focus/Basis of Accounting**

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

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2002 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as advanced at June 30. This amount is recognized as revenue.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and the nonexpendable trust fund. Revenues are recognized in the accounting period in which 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 on the combined balance sheet.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Harrison County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, 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. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

5. 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.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted; however, none of these amendments were significant.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 18 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 15 provides disclosure of the encumbrances outstanding for proprietary fund types at fiscal year end.

**E. Cash and Investments**

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

During fiscal year 2001, investments were limited to STAR Ohio and a repurchase agreement. 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 are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2001 amounted to \$243,150, which includes \$64,986 assigned from other District funds.

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 original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents.

Investments with an initial maturity of more than three months are reported as investments.

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

**F. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 except for textbooks and library books. This is based primarily on the uniqueness of these items to school operations. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5 - 20

**G. Intergovernmental Revenues**

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund  
State Foundation Program  
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds  
Title VI  
Education Management Information Systems (EMIS)  
Title I  
Title VI-B  
Drug Free Grant  
Disadvantaged Pupil Impact Aid  
Performance Incentive Grant



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

*Non-Reimbursable Grants - (cont'd)*

Preschool  
Eisenhower Grant  
Professional Development  
SchoolNet Professional Training  
Ohio Reads  
Safe Schools Helpline  
Title VI-R  
Intervention Restricted Funds  
Extended Learning  
School Improvement Incentive  
Continuous Improvement

Capital Projects Funds

SchoolNet  
SchoolNet Plus  
Permanent Improvement  
Power Up  
Interactive Video Distance Learning

*Reimbursable Grants*

General Fund

Driver Education Reimbursement

Special Revenue Funds

E-Rate

Enterprise Funds

National School Lunch Program  
National School Breakfast Program  
National School Milk Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 55% of the District's operating revenue during the 2001 fiscal year.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**H. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

**I. 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, claims and judgements, 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. In general, payments made more than sixty days after year-end are considered not to have been paid with current available financial resources. Bonds, capital leases, 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.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. GAAP requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**J. Fund Balance Reserves/Designations**

The District records reservations for portions of fund equity, which are legally segregated for 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. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund equity reserves are established for encumbrances, prepayments, inventories of materials and supplies, tax advance unavailable for appropriation, principal endowment, Bureau of Worker's Compensation (BWC) refunds, textbooks, and capital acquisition. The reserve for property tax advance unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute. The District reports amounts set-aside by the School Board for budget stabilization as a designation of fund balance in the general fund.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

**K. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 5.

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established (See Note 20).

**M. Estimates**

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

**N. Inventory**

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the District did not prepare general purpose financial statements in accordance with GAAP prior to fiscal year 1992, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**P. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**B. Deficit Fund Balances/Retained Earnings**

Fund balance/retained earnings at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$ 67,452
District Managed Activities	8,967
Preschool	2,134
 <u>Enterprise Fund</u>	
Food Service	112,522

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Disadvantaged Pupil Impact Aid and Preschool special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefit and retirement obligations attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit fund balance in the District Managed Activities special revenue fund is due to the reporting of an "advance in" from another fund as an interfund loan payable rather than as an "other financing source". This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

The deficit retained earnings in the Food Service enterprise fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefit and retirement obligations, and compensated absences attributable to the fiscal year. This deficit retained earnings will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**C. Agency Funds**

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

LIABILITIES

Accounts payable	\$7,688
------------------	---------

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

Inactive deposits are public deposits 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

Interim monies may be invested or deposited 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash with fiscal agent:* The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2001 was \$1,496,635.

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

*Deposits:* At year end, the carrying amount of the District's deposits was \$(311,012) and the bank balance was \$195,137. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as "investments". Of the bank balance:

1. \$17,996 was covered by federal depository insurance; and
2. \$177,141 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

*Investments:* Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Reported Amount	Fair Value
Repurchase agreement	<u>\$274,309</u>	\$ 274,309	\$ 274,309
Investment in STAR Ohio		<u>4,604,352</u>	<u>4,604,352</u>
Total investments		<u>\$4,878,661</u>	<u>\$4,878,661</u>

The classification of cash and cash equivalents on the combined balance sheet 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 cash equivalents on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 6,064,284	\$ ---
Investments of the cash management pool:		
Investment in STAR Ohio	(4,604,352)	4,604,352
Repurchase agreement	(274,309)	274,309
Cash with fiscal agent	<u>(1,496,635)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ (311,012)</u>	<u>\$4,878,661</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The District had the following short-term interfund loans receivable and payable at June 30, 2001:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$176,423	\$ - - -
<u>Special Revenue Fund</u>		
District Managed Activities	<u>- - -</u>	<u>176,423</u>
Totals	<u>\$ 176,423</u>	<u>\$ 176,423</u>

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 816	\$ - - -
<u>Special Revenue Fund</u>		
Disadvantaged Pupil Impact Aid	<u>- - -</u>	<u>816</u>
Totals	<u>\$ 816</u>	<u>\$ 816</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies, which are, assessed 50% of market and railroads, which are assessed at 29%.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2001 taxes were collected was \$176,533,450. Agricultural/residential and public utility/minerals real estate represented \$109,564,520 or 62.06% of this total, commercial & industrial real estate represented \$20,813,020 or 11.79% of this total, public utility tangible represented \$26,970,400 or 15.28% of this total and general tangible property represented \$19,185,510 or 10.87% of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$34.75 per \$1,000.00 of assessed valuation for operations and \$3.00 per \$1,000.00 of assessed valuation for permanent improvements.

Real property taxes are payable 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.

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 District receives property taxes from the following Counties: Harrison, Carroll, Tuscarawas, Belmont and Jefferson. The respective County Auditors periodically remit to the District their portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance at June 30, 2001, was \$202,164 in the general fund. This amount has been recorded as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. 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 items of receivables follows:

	<u>Amounts</u>
<u>General</u>	
Taxes - current and delinquent	\$4,269,253
Accounts	11,788
Accrued interest	15,046
Due from other governments	136,679
Interfund loan	176,423
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	413,913
Accrued interest	374
<u>Enterprise Funds</u>	
Accounts	10,086
Due from other governments	7,844
Accrued interest	90
<u>Trust and Agency Funds</u>	
Accrued interest	1,135

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 8 - FIXED ASSETS**

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

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Land/improvements	\$ 10,561	\$ ---	\$ ---	\$ 10,561
Buildings/improvements	7,851,343	505,092	---	8,356,435
Furniture/equipment	1,503,131	205,862	---	1,708,993
Vehicles	1,532,042	311,263	(78,728)	1,764,577
Text/library books	<u>705,169</u>	<u>191,387</u>	<u>---</u>	<u>896,556</u>
<b>Total</b>	<b><u>\$11,602,246</u></b>	<b><u>\$1,213,604</u></b>	<b><u>\$(78,728)</u></b>	<b><u>\$12,737,122</u></b>

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 210,973
Less: accumulated depreciation	<u>(147,097)</u>
Net fixed assets	<u>\$ 63,876</u>

**NOTE 9 - CONTRIBUTED CAPITAL**

Changes in contributed capital for the year ended June 30, 2001 are as follows:

Food Service

Contributed capital, July 1, 2000	\$143,020
Current contributions	<u>4,700</u>
Contributed capital, June 30, 2001	<u>\$147,720</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 10 - CAPITAL LEASES**

In the prior year, the District entered into a capitalized lease for copier equipment and in the current year the District entered into a capital lease for a modular classroom. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined general purpose financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and buildings have been capitalized in the general fixed assets account group in the amount of \$78,087. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal and interest payments in fiscal year 2001 totaled \$5,592 and \$2,783, respectively, in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

<u>Fiscal Year Ending June 30, 2001</u>	<u>Amount</u>
2002	\$ 16,055
2003	16,055
2004	16,055
2005	14,561
2006	10,080
2007	10,080
2008	<u>8,400</u>
Total	91,286
Less: amount representing interest	<u>(19,647)</u>
Present value of minimum lease payments	<u>\$ 71,639</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are reported net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Compensated absences	\$1,014,541	\$ 32,065	\$ - - -	\$1,046,606
Pension obligation payable	94,820	88,895	(94,820)	88,895
Capital lease obligation	<u>23,731</u>	<u>53,500</u>	<u>(5,592)</u>	<u>71,639</u>
Total	<u>\$1,133,092</u>	<u>\$174,460</u>	<u>\$(100,412)</u>	<u>\$1,207,140</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$15,888,011 and an unvoted debt margin of \$176,533.



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

			<u>Severance</u>	<u>Liability</u>
Employee Status	Maximum Allowable Sick Leave Balance (Days)	Paid at 1/4 of Unused Sick Leave Balance	Paid at 1/8 of Unused Sick Leave Balance	Total Allowable Maximum Severance (Days)
Classified	260	First 130 Days	Any Balance Over 130 Days	48
Office Staff	270	First 140 Days	Any Balance Over 140 Days	53
Administrative	280	First 140 Days	Any Balance Over 140 Days	51
Certified	280	First 140 Days	Any Balance Over 140 Days	51

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 13 - NOTE ACTIVITY**

The following represents the note activity for the fiscal year ended June 30, 2001:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2001</u>
<u>General Fund</u>				
Energy Conservation Note - 6.44%	<u>\$15,984</u>	<u>\$ - - -</u>	<u>\$(10,138)</u>	<u>\$5,846</u>

The energy conservation note is intended to be repaid from the savings derived from utility bills upon completion of the energy savings measures. Payments of interest relating to this liability are recorded as expenditures in the general fund. The unmatured obligation at year end is accounted for in the general fund, the fund that received the proceeds.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2001 is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u> <u>on Note</u>	<u>Interest</u> <u>on Note</u>	<u>Total</u>
2002	<u>\$5,846</u>	<u>\$137</u>	<u>\$5,983</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 14 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has contracted with Utica Insurance for property and inland marine coverage. Nationwide Insurance provides the district with professional liability coverage and fleet insurance. Coverage provided by Utica Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$39,973,469
Inland Marine Coverage (\$100 deductible)	120,000
Boiler and Machinery (\$1,000 deductible)	39,973,469
Crime Insurance	2,000
Musical Instruments	50,000

Coverages provided by Nationwide Insurance are as follows:

General Liability	
Per occurrence	\$1,000,000
Total per year	3,000,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	1,000,000

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

**B. Worker's Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 14 - RISK MANAGEMENT - (Continued)**

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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

Medical/surgical, dental, vision and life insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of 49 school districts within the OME-RESA consortium, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$586,552 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2001	\$318,691	\$1,813,259	\$(1,545,398)	\$586,552
2000	178,019	1,374,253	(1,233,581)	318,691

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 15 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies and adult education. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$307,364	\$15,917	\$ - - -	\$323,281
Operating expenses				
less depreciation	684,939	- - -	- - -	684,939
Depreciation	4,050	- - -	- - -	4,050
Operating income (loss)	(381,625)	15,917	- - -	(365,708)
Donated commodities	42,934	- - -	- - -	42,934
Operating grants	316,595	- - -	- - -	316,595
Net income (loss)	(19,182)	15,917	- - -	(3,265)
Contributed capital	147,720	- - -	- - -	147,720
Net working capital	(28,678)	60,983	2,971	35,276
Total assets	121,409	72,394	2,971	196,774
Total liabilities	86,211	11,411	- - -	97,622
Total equity	35,198	60,983	2,971	99,152
Encumbrances				
outstanding at June 30	1,095	1,462	- - -	2,557

**NOTE 16 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 16 - DEFINED BENEFIT PENSION PLANS – (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$207,307, \$185,484, and \$186,336, respectively; 50.96 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$101,658, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The 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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$838,002, \$802,752, and \$777,636, respectively; 83.22 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$140,598, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 17 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$269,358 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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.

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. 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 has been established at \$12,400. 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 17 - POSTEMPLOYMENT BENEFITS - (Continued)**

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$197,366 during the 2001 fiscal year.

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(704,265)	\$(52,543)	\$ ---	\$(783,660)
Net adjustment for revenue accruals	106,449	(119,123)	(10,881)	(27,218)
Net adjustment for expenditure accruals	(74,911)	9,862	10,881	434,016
Net adjustment for other financing sources (uses)	44,650	(20,651)	---	---
Encumbrances (Budget basis)	<u>546,626</u>	<u>100,823</u>	<u>---</u>	<u>314,528</u>
GAAP basis	<u>\$(81,451)</u>	<u>\$(81,632)</u>	<u>\$ ---</u>	<u>\$(62,334)</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

**B. Litigation**

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

**C. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

1. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
2. Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 19 - CONTINGENCIES - (Continued)**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 6, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 20 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ 338,970	\$ 391,426	\$ 147,813
Current year set-aside requirement	229,612	229,612	---
Elimination of budget stabilization reserve	---	---	(147,813)
Qualifying disbursements	<u>(164,212)</u>	<u>(121,601)</u>	<u>---</u>
Total	<u>\$ 404,370</u>	<u>\$ 499,437</u>	<u>\$ ---</u>
Cash balance carried forward to FY 2002	<u>\$ 404,370</u>	<u>\$ 499,437</u>	<u>\$ ---</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 20 - STATUTORY RESERVES - (Continued)**

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as designated fund balance in the general fund since the School Board reestablished a budget stabilization reserve in accordance with ORC Section 5705.13 by June 30, 2001. The balance in the budget stabilization designation at June 30, 2001, was \$78,109. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refunds	\$ 73,694
Amount restricted for textbooks	404,370
Amount restricted for capital acquisition	<u>499,437</u>
 Total restricted assets	 <u>\$977,501</u>

**HARRISON HILLS CITY SCHOOL DISTRICT**

Schedule of Prior Audit Findings

For the Year Ended June 30, 2001

The prior audit disclosed no instances of noncompliance that were required to be reported in accordance with *Government Auditing Standards* or noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over financial reporting or internal controls over compliance were reported in the prior year.

**HARRISON HILLS CITY SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2001

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-cash Receipts</u>	<u>Expenditures</u>	<u>Non-cash Expenditures</u>
<u>U.S. Department of Agriculture:</u>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	n/a	10.550	\$ -	39,705	-	42,934
National School Breakfast Program	05-PU	10.553	90,761	-	90,761	-
National School Lunch Program	04-PU	10.555	<u>190,522</u>	<u>-</u>	<u>190,522</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>281,283</u>	<u>39,705</u>	<u>281,283</u>	<u>42,934</u>
<u>U.S. Department of Education:</u>						
(Passed through Ohio Department of Education)						
Special Education Cluster:						
Special Education Grants to States:						
IDEA Part B	6B-SF	84.027	243,165	-	252,172	-
Preschool Grants	PG-S1	84.173	<u>17,159</u>	<u>-</u>	<u>18,569</u>	<u>-</u>
			<u>260,324</u>	<u>-</u>	<u>270,741</u>	<u>-</u>
Grants to Local Education Agencies						
(ESEA Title I)	C1-S1	84.010	866,556	-	696,626	-
Safe and Drug Free Schools	DR-S1	84.186	8,595	-	8,712	-
Goals 2000	G2-S1/G2-S2	84.276	51,898	-	42,587	-
Eisenhower Professional Development Grant	MS-S1	84.281	13,469	-	14,667	-
Innovative Education Program Strategy - Title VI	C2-S1	84.298	10,258	-	9,119	-
Class Size Reduction	CR-S1	84.340	<u>88,425</u>	<u>-</u>	<u>88,425</u>	<u>-</u>
Total U.S. Department of Education			<u>1,299,525</u>	<u>-</u>	<u>1,130,877</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>						
(Passed through Ohio Department of Jobs and Family Services)						
Medical Assistance Payments Title XIX						
(Community Alternative Funding System)	n/a	93.778	<u>58,011</u>	<u>-</u>	<u>59,159</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>58,011</u>	<u>-</u>	<u>59,159</u>	<u>-</u>
Total Federal Awards			\$ <u>1,638,819</u>	<u>39,705</u>	<u>1,471,319</u>	<u>42,934</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Harrison Hills City School District:

We have audited the general purpose financial statements of Harrison Hills City School District, as of and for the year ended June 30, 2001, and have issued our report thereon dated December 6, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Harrison Hills City School District's general purpose 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harrison Hills City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose 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.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 6, 2001



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Harrison Hills City School District:

Compliance

We have audited the compliance of Harrison Hills City School District, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Harrison Hills City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of School District's management. Our responsibility is to express an opinion on School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harrison Hills City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Harrison Hills City School District's compliance with those requirements.

In our opinion, Harrison Hills City School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Harrison Hills City School District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Harrison Hills City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 6, 2001

**HARRISON HILLS CITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2001

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of report issued on financial statements:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	no
Identification of major programs:	
CFDA 84.010 ESEA (Title I)	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**HARRISON HILLS LOCAL SCHOOL DISTRICT**

**HARRISON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 29, 2002**