



Dave Yost • Auditor of State



**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

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

***Accounting Basis***

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

***Other Matters***

*Supplemental and Other Information*

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

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

The Federal Award Receipts and Expenditures Schedule (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 23, 2014

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

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

The management's discussion and analysis of the Harrison Hills City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2013, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- The total net cash position of the District increased \$1,103,372 or 17.10% from fiscal year 2012.
- General cash receipts accounted for \$15,737,941 or 78.58% of total governmental activities cash receipts. Program specific cash receipts accounted for \$4,291,126 or 21.42% of total governmental activities cash receipts.
- The District had \$18,925,695 in cash disbursements related to governmental activities; \$4,291,126 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) and entitlements not restricted of \$15,737,941 were adequate to provide for these programs.
- The District's major fund is the general fund. The general fund had cash receipts and other financing sources of \$17,198,679 in 2013. The cash disbursements and other financing uses of the general fund, totaled \$16,005,655 in 2013. The general fund's cash balance increased \$1,193,024 from 2012 to 2013.

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

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

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

**Reporting the District as a Whole**

***Statement of Net Position – cash basis and the Statement of Activities- cash basis***

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2013?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

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

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

*Fund Financial Statements*

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

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund. The analysis of the District's major governmental fund begins on page 11.

*Governmental Funds*

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

*Proprietary Funds*

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

*Fiduciary Funds*

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

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

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

*Notes to the Financial Statements*

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-50 of this report.

**Government-Wide Financial Analysis**

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

The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012.

	<b>Change in Net Position</b>	
	Governmental Activities 2013	Governmental Activities 2012
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 6,403,261	\$ 5,184,280
Cash with fiscal agent	<u>1,150,809</u>	<u>1,266,418</u>
Total assets	<u>7,554,070</u>	<u>6,450,698</u>
<u>Net Cash Position</u>		
Restricted	920,043	766,646
Unrestricted	<u>6,634,027</u>	<u>5,684,052</u>
Total net cash position	<u>\$ 7,554,070</u>	<u>\$ 6,450,698</u>

The total net position of the District increased \$1,103,372, which represents a 17.10% increase from fiscal year 2012. The increase is due primarily to the decrease in facilities acquisition and construction disbursements of \$480,655 which represents a 52.67% decrease when compared with 2012 as well as overall decreases in disbursements.

The balance of government-wide unrestricted net position of \$6,634,027 may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

The table below shows the changes in net cash position for fiscal year 2013 and 2012.

	<b>Change in Net Position</b>	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$ 710,935	\$ 500,165
Operating grants and contributions	<u>3,580,191</u>	<u>3,226,490</u>
Total program cash receipts	<u>4,291,126</u>	<u>3,726,655</u>
General cash receipts:		
Property and other taxes	5,454,773	5,042,050
Unrestricted grants	10,177,528	10,097,355
Investment earnings	12,584	36,104
Miscellaneous	<u>93,056</u>	<u>92,711</u>
Total general cash receipts	<u>15,737,941</u>	<u>15,268,220</u>
Total cash receipts	<u>20,029,067</u>	<u>18,994,875</u>

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

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

**Change in Net Position (Continued)**

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 7,669,189	\$ 8,269,435
Special	2,429,794	1,850,689
Vocational	428,846	443,949
Other	771,721	717,234
Support services:		
Pupil	602,832	782,913
Instructional staff	397,923	643,151
Board of education	98,141	161,261
Administration	1,681,970	1,553,648
Fiscal	640,401	618,347
Operations and maintenance	1,121,421	1,087,658
Pupil transportation	1,422,811	1,607,604
Central	88,420	199,921
Operation of non instructional services:		
Other non-instructional services	18,395	4,131
Food service operations	592,279	590,920
Extracurricular	369,092	333,442
Facilities acquisition and construction	431,940	912,595
Debt service:		
Principal retirement	132,566	40,000
Interest and fiscal charges	<u>27,954</u>	<u>29,594</u>
Total cash disbursements	<u>18,925,695</u>	<u>19,846,492</u>
Change in net position	1,103,372	(851,617)
Net position at beginning of year	<u>6,450,698</u>	<u>7,302,315</u>
Net position at end of year	<u>\$ 7,554,070</u>	<u>\$ 6,450,698</u>

**Governmental Activities**

Governmental net position increased by \$1,103,372 in fiscal year 2013 from fiscal year 2012. The increase is due primarily to the decrease in facilities acquisition and construction disbursements of \$480,655 which represents a 52.67% decrease when compared with 2012 as well as overall decreases in disbursements. Total governmental cash disbursements of \$18,925,695 were offset by program cash receipts of \$4,291,126 and general cash receipts of \$15,737,941. Program receipts supported 22.67% of the total governmental cash disbursements.

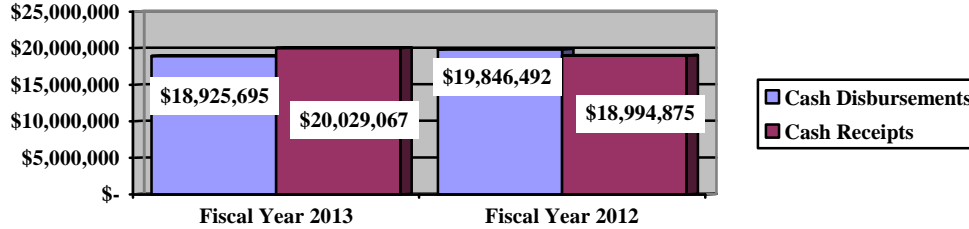
The primary sources of cash receipts for governmental activities are derived from property taxes, and grants and entitlements. These cash receipt sources represent 78.05% of total governmental cash receipts. Real estate property is reappraised every six years.

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

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

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2012 and 2013.

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



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

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013	2013	2012	2012
Cash disbursements:				
Instruction:				
Regular	\$ 7,669,189	\$ 7,150,379	\$ 8,269,435	\$ 7,860,399
Special	2,429,794	1,007,625	1,850,689	719,794
Vocational	428,846	289,185	443,949	304,288
Other	771,721	72,333	717,234	141,667
Support services:				
Pupil	602,832	549,622	782,913	746,974
Instructional staff	397,923	209,956	643,151	344,511
Board of education	98,141	98,141	161,261	161,161
Administration	1,681,970	1,599,486	1,553,648	1,453,819
Fiscal	640,401	640,401	618,347	618,347
Operations and maintenance	1,121,421	1,103,421	1,087,658	1,074,583
Pupil transportation	1,422,811	1,289,007	1,607,604	1,470,464
Central	88,420	88,038	199,921	199,603
Operation of non instructional services:				
Other non-instructional services	18,395	18,395	4,131	4,131
Food service operations	592,279	(233,935)	590,920	(144,052)
Extracurricular	369,092	160,055	333,442	181,959
Facilities acquisition and construction	431,940	431,940	912,595	912,595
Debt service:				
Principal retirement	132,566	132,566	40,000	40,000
Interest and fiscal charges	27,954	27,954	29,594	29,594
<b>Total</b>	<b>\$ 18,925,695</b>	<b>\$ 14,634,569</b>	<b>\$ 19,846,492</b>	<b>\$ 16,119,837</b>

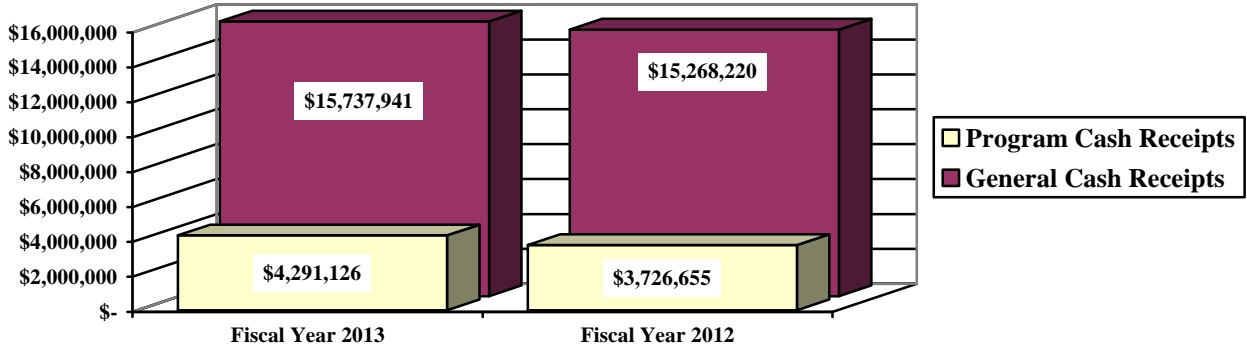
The dependence upon general cash receipts for governmental activities is apparent; with 77.33% of cash disbursements supported through taxes and other general cash receipts during 2013.

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

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

The graph below presents the District's governmental activities cash receipts for fiscal years 2013 and 2012.

**Governmental Activities - General and Program Cash Receipts**



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

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

**Governmental Funds**

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

The District's governmental funds reported a combined fund balance of \$6,403,261, which is \$1,218,981 greater than last year's total of \$5,184,280. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and June 30, 2012, for all major and nonmajor governmental funds.

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Increase
Major fund:			
General	\$ 5,476,223	\$ 4,283,199	\$ 1,193,024
Other nonmajor governmental funds	927,038	901,081	25,957
<b>Total</b>	<b>\$ 6,403,261</b>	<b>\$ 5,184,280</b>	<b>\$ 1,218,981</b>

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

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

**General Fund**

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$17,198,679 in 2013. The cash disbursements and other financing uses of the general fund, totaled \$16,005,655 in 2013. The general fund's fund balance increased \$1,193,024 from 2012 to 2013. Total general fund cash receipts increased from the prior year in all categories. Property taxes increased 8.22% due to an increase in real estate taxes collected for Harrison County in the second half of 2012. Tuition increased as well and was due to a large increase in open enrollment. The primary reason for the increase in general fund cash fund balance is due to an increase in cash receipts compared to cash disbursements in fiscal year 2012. The District has been released from fiscal caution, but continues to monitor the financial situation closely.

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

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 5,038,663	\$ 4,656,066	8.22 %
Tuition	320,844	168,398	90.53 %
Earnings on investments	3,492	1,558	124.13 %
Extracurricular	69,369	45,699	51.80 %
Other local revenues	144,233	128,714	12.06 %
Intergovernmental	<u>11,036,333</u>	<u>10,931,687</u>	0.96 %
Total	<u>\$ 16,612,934</u>	<u>\$ 15,932,122</u>	4.27 %

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

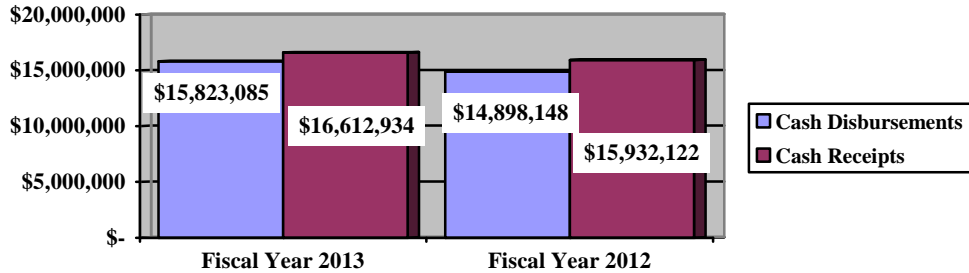
	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 9,868,334	\$ 9,054,115	8.99 %
Support services	5,596,189	5,424,774	3.16 %
Operation of non instruction	1,800	3,012	(40.24) %
Extracurricular	246,947	220,228	12.13 %
Facilities acquisition and construction	82,393	126,425	(34.83) %
Debt service	<u>27,422</u>	<u>69,594</u>	(60.60) %
Total	<u>\$ 15,823,085</u>	<u>\$ 14,898,148</u>	6.21 %



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

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

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



***Budgeting Highlights - General Fund***

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

During the course of fiscal year 2013, the District amended its general fund budget several times. For the general fund, original budgeted receipts and other financing sources were \$15,798,719 they were increased to \$17,090,800 in the final budgeted receipts. Actual receipts and other financing sources for fiscal year 2013 were \$17,133,990. This represents a \$43,190 increase over final budgeted receipts. The increase is due to the interest reimbursement on the energy conservation notes from the federal government and an adjustment for unposted interest at year end.

General fund original appropriations (appropriated cash disbursements including other financing uses) of \$17,606,391 were increased to \$17,167,582 in the final appropriations. The actual budget basis disbursements for fiscal year 2013 totaled \$16,435,785, which was \$731,797 less than the final budget appropriations. The decrease is due primarily to the decrease in actual disbursements related to all areas of instruction.

**Capital Assets and Debt Administration**

***Capital Assets***

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

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2013 and 2012.

	Governmental Activities 2013	Governmental Activities 2012
Notes payable	\$ 485,000	\$ 525,000
Capital lease obligation	<u>305,550</u>	<u>125,589</u>
Total long-term obligations	<u>\$ 790,550</u>	<u>\$ 650,589</u>

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

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

**Current Financial Related Activities**

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

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

The District was successful in ending the 2013 fiscal year in the black. It has been through the efforts of the board of education, administration, certificated and classified staff working together that the District has been successful in cutting expenditures where possible. Presently, certificated and classified staffs have negotiated agreements in place with 0% increases. The certificated staff's agreement will expire June 30, 2015 while the classified staff's agreement will expire June 30, 2014. The most current five year forecast for fiscal years 2013 through 2017, show the District ending in the black each year. However, the forecast is a projection based on the most current information at the time of completion and is subject to change.

One of the greatest impacts to the District is state foundation revenue. Presently, state funding represents approximately 66.5% of the general fund revenue. A new funding model is in place as a result of the Substitute HB59 for fiscal year 14 and fiscal year 15. There is no projected increase in state funding for the District. Another impact on the revenue for the District is related to natural gas fracking in the area. The mineral values for calendar year 2012 increased \$3.3 million from calendar year 2011. Collection for real estate taxes for fiscal year 13 did increase approximately \$400,000. Overall revenues increased 6% from fiscal year 2012 to fiscal year 2013.

Overall, expenditures decreased by 1%. The area that saw a substantial decrease was the 600 object. This category is used for new equipment/capital improvements. During fiscal year 12, the district paid over \$200,000, as part of a lease purchase agreement, for a bus garage. In addition, over \$200,000 was used for Phase I and II purchase of laptops and iPads for students and staff. Phase I was at the start of fiscal year 12 for fiscal year 12; and Phase II was done June of 2012 for use during fiscal year 13. No additional monies had to be paid during fiscal year 13 for the lease purchase agreement because the bus garage was not completed.

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Roxane Harding, Treasurer, Harrison Hills City School District, 730 Peppard Avenue, Cadiz, Ohio 43907.

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2013

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,403,261
Cash with fiscal agent . . . . .	<u>1,150,809</u>
Total assets. . . . .	<u><u>7,554,070</u></u>
 <b>Net position:</b>	
Restricted for:	
Capital projects . . . . .	316,400
Permanent fund - expendable . . . . .	31,591
Permanent fund - nonexpendable . . . . .	286,180
Debt service. . . . .	51,705
State funded programs. . . . .	23,309
Federally funded programs . . . . .	4,019
Student activities . . . . .	4,244
Other purposes . . . . .	202,595
Unrestricted . . . . .	<u>6,634,027</u>
Total net position. . . . .	<u><u>\$ 7,554,070</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 7,669,189	\$ 334,781	\$ 184,029	\$ (7,150,379)
Special . . . . .	2,429,794	1,989	1,420,180	(1,007,625)
Vocational . . . . .	428,846	-	139,661	(289,185)
Other . . . . .	771,721	-	699,388	(72,333)
Support services:				
Pupil . . . . .	602,832	-	53,210	(549,622)
Instructional staff . . . . .	397,923	-	187,967	(209,956)
Board of education . . . . .	98,141	-	-	(98,141)
Administration . . . . .	1,681,970	-	82,484	(1,599,486)
Fiscal . . . . .	640,401	-	-	(640,401)
Operations and maintenance . . . . .	1,121,421	18,000	-	(1,103,421)
Pupil transportation . . . . .	1,422,811	-	133,804	(1,289,007)
Central . . . . .	88,420	-	382	(88,038)
Operation of non-instructional services:				
Other non-instructional services . . . . .	18,395	-	-	(18,395)
Food service operations . . . . .	592,279	161,133	665,081	233,935
Extracurricular activities . . . . .	369,092	195,032	14,005	(160,055)
Facilities acquisition and construction . . . . .	431,940	-	-	(431,940)
Debt service:				
Principal retirement . . . . .	132,566	-	-	(132,566)
Interest and fiscal charges . . . . .	27,954	-	-	(27,954)
<b>Total governmental activities . . . . .</b>	<b>\$ 18,925,695</b>	<b>\$ 710,935</b>	<b>\$ 3,580,191</b>	<b>(14,634,569)</b>

**General receipts:**

Property taxes levied for:	
General purposes . . . . .	5,038,663
Capital outlay . . . . .	416,110
Grants and entitlements not restricted to specific programs . . . . .	10,177,528
Investment earnings . . . . .	12,584
Miscellaneous . . . . .	93,056
<b>Total general receipts . . . . .</b>	<b>15,737,941</b>
Change in net position . . . . .	1,103,372
<b>Net position at beginning of year . . . . .</b>	<b>6,450,698</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 7,554,070</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 5,476,223	\$ 927,038	\$ 6,403,261
Total assets . . . . .	<u>5,476,223</u>	<u>927,038</u>	<u>6,403,261</u>
<b>Fund balances:</b>			
Nonspendable:			
Permanent fund . . . . .	-	286,180	286,180
Restricted:			
Debt service . . . . .	-	51,705	51,705
Capital improvements . . . . .	-	316,400	316,400
Food service operations . . . . .	-	202,595	202,595
Public school preschool . . . . .	-	10,270	10,270
Special education . . . . .	-	311	311
Targeted academic assistance . . . . .	-	2,156	2,156
Vocational education. . . . .	-	43	43
Other purposes. . . . .	-	46,139	46,139
Discretionary restricted. . . . .	-	4,244	4,244
Committed:			
Other purposes. . . . .	-	6,995	6,995
Assigned:			
Student instruction . . . . .	64,740	-	64,740
Student and staff support. . . . .	217,713	-	217,713
Facilities acquisition and construction . . . . .	235,374	-	235,374
Textbooks and instructional materials . . . . .	3,237	-	3,237
Other purposes. . . . .	2,971	-	2,971
Unassigned . . . . .	4,952,188	-	4,952,188
Total fund cash balances . . . . .	<u>\$ 5,476,223</u>	<u>\$ 927,038</u>	<u>\$ 6,403,261</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND CASH BALANCES TO  
NET POSITION - CASH BASIS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

<b>Total governmental fund cash balances</b>	\$ 6,403,261
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>	
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.	<u>1,150,809</u>
<b>Net position-cash basis of governmental activities</b>	<u><u>\$ 7,554,070</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>			
From local sources:			
Property taxes . . . . .	\$ 5,038,663	\$ 416,110	\$ 5,454,773
Tuition . . . . .	320,844	-	320,844
Earnings on investments . . . . .	3,492	708	4,200
Charges for services . . . . .	-	161,133	161,133
Extracurricular . . . . .	69,369	108,412	177,781
Classroom materials and fees . . . . .	15,926	-	15,926
Rental income . . . . .	18,000	-	18,000
Contributions and donations . . . . .	17,251	16,776	34,027
Other local revenues . . . . .	93,056	-	93,056
Intergovernmental - state . . . . .	11,010,057	226,646	11,236,703
Intergovernmental - federal . . . . .	26,276	2,477,945	2,504,221
Total cash receipts . . . . .	<u>16,612,934</u>	<u>3,407,730</u>	<u>20,020,664</u>
<b>Cash disbursements:</b>			
Current:			
Instruction:			
Regular . . . . .	7,474,319	152,606	7,626,925
Special . . . . .	1,797,495	606,920	2,404,415
Vocational . . . . .	424,864	-	424,864
Other . . . . .	171,656	595,326	766,982
Support services:			
Pupil . . . . .	553,128	45,320	598,448
Instructional staff . . . . .	240,774	154,292	395,066
Board of education . . . . .	98,141	-	98,141
Administration . . . . .	1,595,036	75,931	1,670,967
Fiscal . . . . .	618,914	17,961	636,875
Operations and maintenance . . . . .	1,101,198	12,872	1,114,070
Pupil transportation . . . . .	1,344,700	64,611	1,409,311
Central . . . . .	44,298	43,763	88,061
Operation of non-instructional services:			
Other operation of non-instructional . . . . .	1,800	16,166	17,966
Food service operations . . . . .	-	588,040	588,040
Extracurricular activities . . . . .	246,947	122,145	369,092
Facilities acquisition and construction . . . . .	82,393	349,547	431,940
Debt service:			
Principal retirement . . . . .	-	132,566	132,566
Interest and fiscal charges . . . . .	27,422	532	27,954
Total cash disbursements . . . . .	<u>15,823,085</u>	<u>2,978,598</u>	<u>18,801,683</u>
Excess of cash receipts over cash disbursements . . . . .	<u>789,849</u>	<u>429,132</u>	<u>1,218,981</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	126,705	126,705
Transfers (out) . . . . .	(35,000)	(91,705)	(126,705)
Advances in . . . . .	585,745	147,570	733,315
Advances (out) . . . . .	(147,570)	(585,745)	(733,315)
Total other financing sources (uses) . . . . .	<u>403,175</u>	<u>(403,175)</u>	<u>-</u>
Net change in fund cash balances . . . . .	1,193,024	25,957	1,218,981
<b>Fund cash balances at beginning of year . . . . .</b>	<u>4,283,199</u>	<u>901,081</u>	<u>5,184,280</u>
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 5,476,223</u>	<u>\$ 927,038</u>	<u>\$ 6,403,261</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

**Net change in fund balances - cash basis - total governmental funds** \$ 1,218,981

*Amounts reported for governmental activities in the  
statement of activities are different because:*

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

(115,609)

**Change in net position of governmental activities** \$ 1,103,372

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,657,677	\$ 5,038,600	\$ 5,038,663	\$ 63
Tuition . . . . .	296,460	320,706	320,844	138
Earnings on investments . . . . .	3,229	3,493	3,492	(1)
Extracurricular . . . . .	13,589	14,700	15,852	1,152
Classroom materials and fees . . . . .	8,227	8,900	9,089	189
Other local revenues . . . . .	73,270	79,262	91,614	12,352
Intergovernmental - state . . . . .	10,174,918	11,007,063	11,010,057	2,994
Intergovernmental - federal . . . . .	-	-	26,276	26,276
Total receipts . . . . .	<u>15,227,370</u>	<u>16,472,724</u>	<u>16,515,887</u>	<u>43,163</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	7,882,518	7,686,060	7,509,538	176,522
Special . . . . .	1,884,259	1,837,297	1,804,549	32,748
Vocational . . . . .	473,933	462,121	448,337	13,784
Other . . . . .	194,190	189,350	172,925	16,425
Support services:				
Pupil . . . . .	743,175	724,653	554,681	169,972
Instructional staff . . . . .	268,883	262,182	249,072	13,110
Board of education . . . . .	158,476	154,526	121,698	32,828
Administration . . . . .	1,700,436	1,658,056	1,610,033	48,023
Fiscal . . . . .	686,611	669,498	628,763	40,735
Business . . . . .	-	-	-	-
Operations and maintenance . . . . .	1,314,812	1,282,043	1,195,840	86,203
Pupil transportation . . . . .	1,441,789	1,405,855	1,379,047	26,808
Central . . . . .	67,687	66,000	44,298	21,702
Other operation of non-instructional services . . . . .	5,128	5,000	1,800	3,200
Extracurricular activities . . . . .	199,728	194,750	187,445	7,305
Facilities acquisition and construction . . . . .	384,024	374,453	317,767	56,686
Debt service:				
Interest and fiscal charges . . . . .	13,505	13,168	27,422	(14,254)
Total budgetary basis disbursements . . . . .	<u>17,419,154</u>	<u>16,985,012</u>	<u>16,253,215</u>	<u>731,797</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . . . .	<u>(2,191,784)</u>	<u>(512,288)</u>	<u>262,672</u>	<u>774,960</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	13,329	14,419	14,419	-
Transfers (out) . . . . .	(35,895)	(35,000)	(35,000)	-
Advances in . . . . .	541,462	585,745	585,745	-
Advances (out) . . . . .	(151,342)	(147,570)	(147,570)	-
Sale of capital assets . . . . .	16,558	17,912	17,939	27
Total other financing sources (uses) . . . . .	<u>384,112</u>	<u>435,506</u>	<u>435,533</u>	<u>27</u>
Net change in fund cash balance . . . . .	(1,807,672)	(76,782)	698,205	774,987
<b>Fund cash balance at beginning of year . . . . .</b>	<b>3,855,732</b>	<b>3,855,732</b>	<b>3,855,732</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>394,703</b>	<b>394,703</b>	<b>394,703</b>	<b>-</b>
<b>Fund cash balance at end of year . . . . .</b>	<b><u>\$ 2,442,763</u></b>	<b><u>\$ 4,173,653</u></b>	<b><u>\$ 4,948,640</u></b>	<b><u>\$ 774,987</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF PROPRIETARY NET POSITION - CASH BASIS  
 PROPRIETARY FUND  
 JUNE 30, 2013

	<u><b>Governmental Activities - Internal Service Funds</b></u>
<b>Assets:</b>	
Cash with fiscal agent . . . . .	\$ 1,150,809
Total assets. . . . .	<u>1,150,809</u>
 <b>Net position:</b>	
Unrestricted. . . . .	<u>1,150,809</u>
Total net position. . . . .	<u><u>\$ 1,150,809</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN PROPRIETARY  
NET POSITION - CASH BASIS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u><b>Governmental Activities - Internal Service Funds</b></u>
<b>Operating cash receipts:</b>	
Sales/charges for services . . . . .	\$ 2,911,982
Total operating cash receipts . . . . .	<u>2,911,982</u>
<b>Operating cash disbursements:</b>	
Fringe benefits . . . . .	44,092
Claims . . . . .	<u>2,991,902</u>
Total operating cash disbursements. . . . .	<u>3,035,994</u>
Operating loss . . . . .	<u>(124,012)</u>
<b>Nonoperating cash receipts:</b>	
Interest revenue . . . . .	8,403
Total nonoperating cash receipts. . . . .	<u>8,403</u>
Change in net position . . . . .	(115,609)
<b>Net position at beginning of year. . . . .</b>	<u>1,266,418</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 1,150,809</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 100,000	\$ 95,130
Total assets. . . . .	\$ 100,000	\$ 95,130
<b>Net position:</b>		
Held in trust for scholarships . . . . .	\$ 100,000	\$ -
Due to students. . . . .	-	46,838
Due to others. . . . .	-	48,292
Total net position. . . . .	\$ 100,000	\$ 95,130

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
Net position at beginning of year. . . . .	\$ 100,000
Net position at end of year . . . . .	\$ 100,000

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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

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

The District was established in 1971 through the consolidation of existing land areas and school districts. The District serves an area approximately 386 square miles. It is located primarily in Harrison County, however small portions of the District are located in Carroll County, Belmont County and Jefferson County. The District is the 328<sup>th</sup> largest in the State of Ohio (among 918 public and community school districts) in terms of enrollment. It is staffed by 88 non-certified employees, 105 certified employees and 9 administrators who provide services to 1,666 students and other community members. The District currently operates 3 instructional buildings and 1 administrative building.

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

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

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

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA)

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

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

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

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

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

Belmont Harrison Vocational School District

The Belmont Harrison Vocational School District 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 Vocational School District, Treasurer's Office, at 110 Fox/Shannon Place, St. Clairsville, Ohio 43950.



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

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

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

*INSURANCE PURCHASING POOL*

Workers' Compensation Group Rating Program

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

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

**B. Basis of Accounting**

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

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

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

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

*PROPRIETARY FUND*

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

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

*FIDUCIARY FUNDS*

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

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

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

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

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

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

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2013 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Harrison County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2013.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of disbursements for the general fund and the fund level for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2013; however, none of these amendments were significant.
8. Unencumbered appropriations lapse at yearend. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control.

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

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

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

**F. Cash and Investments**

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

During fiscal year 2013, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$3,492, which includes \$97 assigned from other funds.

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

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Unpaid Vacation and Sick Leave**

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

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

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

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

**J. Long-Term Obligations**

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

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

**L. Fund Balance**

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

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

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

Committed - resources that are constrained for specific purposes that are internally imposed by the District at its highest level of decision making authority, the Board of Education. With an affirmative vote of its members, the Board of Education may create funds for which resources are committed to the established purpose of that fund.

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

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

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

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

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

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

**M. Net Position**

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

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

**N. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had no restricted net position at June 30, 2013.

**O. Interfund Activity**

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

**P. Stabilization Arrangement**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

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

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

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

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District’s financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the District.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

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

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

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

**B. Compliance**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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



**HARRISON HILLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

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

**A. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2013 was \$1,150,809.

**B. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits was \$1,448,166. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$525,237 of the District's bank balance of \$2,222,932 was exposed to custodial risk as discussed below, while \$1,697,695 was covered by the FDIC.

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

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

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

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC

**C. Investments**

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities</u>
		<u>6 months or less</u>
STAR Ohio	\$ 5,150,225	\$ 5,150,225
	<u>\$ 5,150,225</u>	<u>\$ 5,150,225</u>

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

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

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

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

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 5,150,225	100.00
Total	<u>\$ 5,150,225</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,448,166
Investments	5,150,225
Cash with fiscal agent	<u>1,150,809</u>
Total	<u>\$ 7,749,200</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,554,070
Private-purpose trust	100,000
Agency funds	<u>95,130</u>
Total	<u>\$ 7,749,200</u>

**NOTE 5-INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2013 consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 35,000
 <u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>91,705</u>
 Total	 <u>\$ 126,705</u>

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

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

**NOTE 5-INTERFUND TRANSACTIONS - (Continued)**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer between nonmajor funds was a transfer from the capital projects building fund to the debt service fund for the repayment of energy conservation bonds.

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

- B.** During fiscal year 2013, advances consisted of \$147,570 from the general fund to nonmajor governmental funds. During fiscal year 2013, \$585,745 of advances were repaid to the general fund from nonmajor governmental funds.

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

**NOTE 6-PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2013 (other than public utility property) generally represent the collection of calendar year 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after October 1, 2011 on the value as of December 31, 2011. Amounts paid by multi-county taxpayers were due September 20, 2012. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2012, with the remainder payable by September 20, 2012.

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

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

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

The District receives property taxes from Harrison, Carroll, Tuscarawas, Belmont and Jefferson Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 203,856,320	89.85	\$ 236,877,270	90.21
Public utility personal	<u>23,028,781</u>	<u>10.15</u>	<u>25,705,729</u>	<u>9.79</u>
Total	<u>\$ 226,885,101</u>	<u>100.00</u>	<u>\$ 262,582,999</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$37.75		\$37.75	

**NOTE 7 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2013, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/13</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Energy conservation note	\$ 525,000	\$ -	\$ (40,000)	\$ 485,000	\$ 40,000
Busses capital lease		272,527	(92,566)	\$ 179,961	88,959
Bus garage capital lease	<u>125,589</u>	<u>-</u>	<u>-</u>	<u>125,589</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>\$ 650,589</u>	<u>\$ 272,527</u>	<u>\$ (132,566)</u>	<u>\$ 790,550</u>	<u>\$ 128,959</u>

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

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

**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

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

Principal and interest requirements to retire the energy conservation notes at June 30, 2013, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 40,000	\$ 25,249	\$ 65,249
2015	25,000	23,484	48,484
2016	30,000	21,992	51,992
2017	30,000	20,363	50,363
2018	30,000	18,734	48,734
2019 - 2023	190,000	64,617	254,617
2024 - 2026	<u>140,000</u>	<u>11,674</u>	<u>151,674</u>
Total	<u>\$ 485,000</u>	<u>\$ 186,113</u>	<u>\$ 671,113</u>

Bus Garage Capital lease - On March 29, 2012, the District entered into a capital lease agreement with the Cadiz Community Improvement Corporation (CIC) for construction of a new bus garage. On June 25, 2012, the District made a payment of \$200,845 to the CIC. After the project is completed, the final cost of the project, less the \$200,845 previously paid, will be divided into 14 semi-annual installments at 0% interest, to be paid by the District to the CIC. At the completion of the lease payments, the District will have the option to purchase the bus garage from the CIC for \$1. The estimated project cost at June 30, 2012 is \$326,434. This amount, less the \$200,845 previously paid, leaves a liability to the District of \$125,589. As the project is not completed at June 30, 2013, a final payment schedule is not available.

Busses Capital lease - On April 10, 2013, the District entered into a capital lease agreement with Sovereign Bank for 3 new 2014 busses. The lease is for three years with the first payment being made in fiscal year 2013. A detailed payment schedule is provided below.

<u>June 30, 2013</u>	<u>Amount</u>
2014	\$ 93,098
2015	<u>93,098</u>
Total minimum lease payment	186,196
Less: amount representing interest	<u>(6,235)</u>
Present value of minimum lease payments	<u>\$ 179,961</u>

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

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

**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$23,684,175 and an unvoted debt margin of \$262,583.

**NOTE 8 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Life Insurance**

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

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

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

**NOTE 9 - RISK MANAGEMENT**

**A. Comprehensive**

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

<u>Description</u>	<u>Amount</u>
Building and Contents-replacement cost (\$1,000 deductible)	\$47,264,164
Boiler and Machinery (\$1,000 deductible)	\$47,264,164
Crime Insurance	50,000

Coverage provided by Indiana Insurance is as follows:

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

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

**B. Workers' Compensation**

For fiscal year 2013, the District participated in the OASBO Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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

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



**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - RISK MANAGEMENT - (Continued)**

Changes in claims due for the current and prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2013	\$ 246,976	\$ 3,018,021	\$ (2,991,902)	\$ 273,095
2012	345,755	2,759,131	(2,857,910)	246,976

**NOTE 10 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$262,901, \$260,304 and \$248,006, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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

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

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

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$811,799, \$820,212 and \$874,589, respectively; 85.21 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$34,822, \$42,884 and \$55,937, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$14,851, \$15,372 and \$15,960, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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

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

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

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

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$62,446, \$63,093 and \$67,276, respectively; 85.21 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NOTE 12 - BUDGETARY BASIS OF ACCOUNTING**

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

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

<b>Net Change in Fund Balance</b>	
	<u>General fund</u>
Cash basis	\$ 1,193,024
Funds budgeted elsewhere **	(7,461)
Adjustment for encumbrances	<u>(487,358)</u>
Budget basis	<u>\$ 698,205</u>

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

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

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

**NOTE 13 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 14 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	257,127
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(82,777)
Excess qualified expenditures from prior years	-
Current year offsets	(487,329)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (312,979)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

**HARRISON HILLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 15-OTHER COMMITMENTS**

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

	Year-End <u>Encumbrances</u>
General fund	\$ 490,457
Nonmajor governmental funds	<u>166,131</u>
Total	<u>\$ 656,588</u>

HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	PU-13	10.555	\$34,654	\$34,654
Cash Assistance:				
School Breakfast Program	05-PU-13	10.553	305,305	305,305
National School Lunch Program	04-PU-13	10.555	348,991	348,991
Total Cash Assistance			<u>654,296</u>	<u>654,296</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			688,950	688,950
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1-13 C1-S1-12	84.010	569,375 <u>220,198</u>	610,222 <u>74,068</u>
Total Title I Grants to Local Educational Agencies			789,573	684,290
Special Education, Cluster (IDEA)				
Special Education, Grants to States (IDEA Part B)				
	6B-SF-13 6B-SF-12	84.027	345,522 <u>155,557</u>	380,779 <u>59,921</u>
Total Special Education, Grants to States (IDEA Part B)			501,079	440,700
Special Education, Preschool Grants				
	2013 2012	84.173	19,566 <u>3,563</u>	21,445 <u>2,439</u>
Total Special Education, Preschool Grants			23,129	23,884
Total Special Education, Cluster (IDEA)			524,208	464,584
Twenty-First Century Community Learning Centers				
	2,013 2,012	84.287	174,841 <u>98,211</u>	198,812 <u>29,976</u>
Total Twenty-First Century Community Learning Centers			273,052	228,788
Education Technology State Grants				
	TJ-S1-12	84.318	4,929	
Rural Education				
	13 12	84.358	24,493 <u>31,379</u>	29,497 <u>29,497</u>
Total Rural Education			55,872	
Improving Teacher Quality State Grants				
	TR-S1-13 TR-S1-12	84.367	94,547 <u>45,442</u>	103,723 <u>19,084</u>
Total Improving Teacher Quality State Grants			139,989	122,807
Education Jobs Fund				
	2012	84.410	22,283	9,391
Special Education-Grants for Infants and Families				
	2013 2012	84.181	25,089 <u>3,854</u>	25,089 <u>3,854</u>
Total Special Education-Grants for Infants and Families			28,943	28,943
ARRA-Race to the Top, Recovery Act				
	2013 2012	84.395	8,460 <u>5,285</u>	13,102 <u>436</u>
Total ARRA-Race to the Top, Recovery Act			13,745	13,538
Total U.S. Department of Education			1,852,594	1,581,838
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Community-Based Child Abuse Prevention Grants	JFSFCB12	93.590	15,000	15,000
<i>Passed Through the Ohio Department of Health:</i>				
Affordable Care Act, Maternal, Infant & Early Childhood Home Visiting Program	FY13	93.505	22,000	22,000
Total U.S. Department of Health and Human Services			37,000	37,000
<b>Total Federal Awards Receipts and Expenditures</b>			<u><u>\$2,578,544</u></u>	<u><u>\$2,307,788</u></u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of this Schedule.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. CHILD NUTRITION CLUSTER**

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

**C. FOOD DONATION PROGRAM**

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





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Hills City School District, Harrison County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report dated January 23, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2013-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 23, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Harrison Hills City School District, Harrison County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

**Basis for Qualified Opinion on Special Education and Child Nutrition Clusters**

As described in Findings 2013-002 and 2013-003, in the accompanying Schedule of Findings, the District did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2013-002	84.027/84.173	Special Education Cluster	Cash Management
2013-003	10.553/10.555	Child Nutrition Cluster	Special Tests & Provisions – Verification of Free and Reduced Price Applications

Compliance with these requirements is necessary, in our opinion, for the District to comply with the requirements applicable to these programs.

**Qualified Opinion on Special Education and Child Nutrition Clusters**

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education and Child Nutrition Clusters* paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education and Child Nutrition Clusters for the year ended June 30, 2013.

**Unmodified Opinion on the Other Major Federal Program**

In our opinion, the District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended June 30, 2013.

The District's responses to our noncompliance findings are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

**Report on Internal Control Over Compliance**

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2013-002 and 2013-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2013-004 to be a significant deficiency.

The District's responses to our internal control over compliance findings are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

January 23, 2014

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**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified – Special Education and Child Nutrition Clusters Unmodified – Title I
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster CFDA #10.553 and #10.555  Title I Grants to Local Educational Agencies – CFDA #84.010  Special Education Cluster CFDA #84.027 and #84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)**

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

**Finding Number 2013-001**

**Noncompliance**

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

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

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

**Official's Response:** The board of education voted on March 31, 2011 that the district would no longer prepare a GAAP statement. Instead, the district has entered into contract with Julian and Grube, Inc. to prepare cash basis GASB 34 look alike statements. This was done to reduce costs related to the preparation of GAAP statements as well as audit costs.

**3. FINDINGS FOR FEDERAL AWARDS**

Finding Number	2013-002
CFDA Title and Number	Special Education Cluster 84.027/84.173
Federal Award Number/Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**Noncompliance and Material Weakness – Cash Management**

34 C.F.R. Section 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 C.F.R. 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount that apply to advances to the grantees.



**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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**Finding Number 2013-002 (Continued)**

**Noncompliance and Material Weakness – Cash Management (Continued)**

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 C.F.R. 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. **Ohio Department of Education Project Cash Request Instructions** state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 C.F.R. part 205, the time elapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds **MUST** be expended within the period of time for which cash is requested.

For the Special Education Cluster (IDEA), 19% of drawdowns were not spent within the period of time for which the cash was requested

The District should take steps to minimize the time elapsing between the receipt and disbursement of grant funds. The District Treasurer should review the process for requesting federal funds to ensure monies are disbursed within a month of receipt.

**Official's Response:** See the Corrective Action Plan on page 64 for response.

Finding Number	2013-003
CFDA Title and Number	Child Nutrition Cluster 10.553/10.555
Federal Award Number/Year	04/05 PU-13
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

**Noncompliance and Material Weakness – Special Tests and Provisions – Verification of Free and Reduced Price Applications**

7 C.F.R. Section 245.6a (c)(1) states the local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year.

7 C.F.R. Section 245.6a (e)(1)(i) states prior to conducting any other verification activity, an individual, other than the individual who made the initial eligibility determination, shall review for accuracy each approved application selected for verification to ensure that the initial determination was correct. If the initial determination was incorrect the local educational agency must immediately notify the household and change the eligibility status.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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**Finding Number 2013-003 (Continued)**

**Noncompliance and Material Weakness – Special Tests and Provisions – Verification of Free and Reduced Price Applications (Continued)**

7 C.F.R. Section 245.6a (f)(1) states, in part, households selected for verification shall be provided written notice that their applications were selected for verification and that they are required, by such date as determined by the local educational agency, to submit the requested information to verify eligibility for free or reduced price meals. These households shall be advised of the type or types of information and/or documents acceptable to the school.

Of the 31 applications selected for the verification process, we noted one household did not respond and one household should have been free; however, there was no evidence that eligibility status was changed in the District’s system to reflect these changes.

We recommend the District develop internal controls procedures to ensure only those students who meet the eligibility criteria receive free or reduced price meals. In addition, the School District should report the results of the verification process in the District’s system.

**Official’s Response:** See the Corrective Action Plan on page 64 for response.

Finding Number	2013-004
CFDA Title and Number	Child Nutrition Cluster 10.553/10.555
Federal Award Number/Year	04/05 PU-13
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

**Significant Deficiency – Allowable Costs/Cost Principles**

Controls over the allowability and cost principles as they relate to the Child Nutrition Cluster expenditures were not in place. The District's practice is for the Food Service Coordinator to approve and sign off on all food service purchases. Testing revealed that 7.7% of nutrition cluster expenditures tested were not properly approved and signed off on. The lack of controls increases the risk of noncompliance and unallowable expenditures, which could result in questioned costs.

The District should establish control procedures over the Child Nutrition Cluster expenditures to ensure allowability with the cost principles and grant requirements. This includes the Food Service Coordinator approving and signing off on all purchases for food service expenditures indicating the approval of an allowable purchase. Implementation of controls will help reduce the risk of unallowable expenditures and/or questioned costs.

**Official’s Response:** See the Corrective Action Plan on page 64 for response.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2012-01	Ohio Admin. Code Section 117-2-03(B), failure to file GAAP statements.	No	Not Corrected; Re-issued as Finding 2013-001.
2012-02	Material Weakness - regarding allowability/cost principles over expenditures made from Child Nutrition Cluster.	No	Not Corrected; Re-issued as Finding 2013-004.
2012-03	Material Weakness - regarding allowability/cost principles and period of availability over expenditures made from the 21 <sup>st</sup> Century Grant.	Yes	N/A.

**HARRISON HILLS CITY SCHOOL DISTRICT  
HARRISON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-002	In the future, the district will not do a project cash request (PCR) with any advances that will not be expended within the periods of the requests.	June 30, 2014	Roxane Harding, Treasurer
2013-003	The verification process for free and reduced applicants was completed by a secretary. In the future, the verification will be cross checked by the Food Service Coordinator. Using the verification forms, a worksheet will be completed listing current free and reduced students. The worksheet will have a column for free, reduced, no longer qualify; and columns for direct certification or paper verification. In the column for no longer qualify, it will be noted the reason why. This will then be provided to each head cook who will then verify that the students are set up correctly in their systems. The head cook will sign off and return the form to the Food Service Coordinator who will file it with the verification forms for that school year.	June 30, 2014	Roxane Harding, Treasurer
2013-004	During 2013, the Food Service Coordinator's position was transitioning from one person to another. This was an oversight and has been discussed with the new Coordinator and corrected for 2014. The new coordinator is generating all requisitions and signing off on all invoices being paid from the Child Nutrition Cluster.	June 30, 2014	Roxane Harding, Treasurer



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

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

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

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 23, 2014

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Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

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# Dave Yost • Auditor of State

**HARRISON HILLS CITY SCHOOL DISTRICT**

**HARRISON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 6, 2014**