



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY  
JUNE 30, 2020 AND 2019**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2020 .....	3
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2020.....	4
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds – June 30, 2020 .....	5
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - Cash Basis - Governmental Funds – For the Fiscal Year Ended June 30, 2020 .....	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund - For the Fiscal Year Ended June 30, 2020 .....	7
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds – June 30, 2020 .....	8
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Fund – For the Fiscal Year Ended June 30, 2020.....	9
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2020 .....	11
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2019.....	43
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2019.....	44
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds – June 30, 2019.....	45
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds – For the Fiscal Year Ended June 30, 2019.....	46
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2019 .....	47
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds – June 30, 2019.....	48

**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY  
JUNE 30, 2020 AND 2019**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Fund – For the Fiscal Year Ended June 30, 2019 .....	49
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2019 .....	51
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	83
Schedule of Findings.....	85
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	87

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hardin-Houston Local School District, Shelby County, Ohio (the School District), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School 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 2 describes. This responsibility includes determining that the modified 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 School 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 School District's internal control. Accordingly, we express no such 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 the Hardin-Houston Local School District, as of June 30, 2020 and 2019, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Emphasis of Matter**

As discussed in Note 19 to the financial statements, during 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 5, 2021

**Hardin-Houston Local School District**

*Statement of Net Position - Cash Basis*

*June 30, 2020*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,298,368</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$476,770
Debt Service	987,906
School Bus Purchases	64,358
Other Purposes	755,689
Unrestricted	<u>6,013,645</u>
<i>Total Net Position</i>	<u>\$8,298,368</u>

See accompanying notes to the basic financial statements.

**Hardin-Houston Local School District**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2020*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$5,036,919	\$1,278,979	\$27,461	(\$3,730,479)
Special	1,154,653	-	716,851	(437,802)
Vocational	111,586	-	13,145	(98,441)
Student Intervention Services	193	-	-	(193)
Other	36,885	-	-	(36,885)
Support Services:				
Pupil	1,075,779	15,144	215,734	(844,901)
Instructional Staff	252,787	1,289	43,543	(207,955)
Board of Education	8,376	-	18,412	10,036
Administration	730,030	-	-	(730,030)
Fiscal	301,091	-	-	(301,091)
Business	615	-	-	(615)
Operation and Maintenance of Plant	1,139,604	-	-	(1,139,604)
Pupil Transportation	715,436	-	-	(715,436)
Central	30,362	-	-	(30,362)
Operation of Non-Instructional Services	307,952	97,170	172,825	(37,957)
Extracurricular Activities	280,438	50,612	1,339	(228,487)
Capital Outlay	29,130	-	-	(29,130)
Principal Retirement	370,000	-	-	(370,000)
Interest and Fiscal Charges	237,375	-	-	(237,375)
<i>Total Governmental Activities</i>	<u>\$11,819,211</u>	<u>\$1,443,194</u>	<u>\$1,209,310</u>	<u>(9,166,707)</u>

**General Receipts**

Property Taxes Levied for:	
General Purposes	2,239,075
Capital Maintenance	41,622
Debt Service	647,709
Income Taxes Levied for General Purposes	618,461
Income Taxes Levied for Capital Outlay	309,231
Grants and Entitlements not Restricted to Specific Programs	5,275,601
Donations Not Restricted to Specific Programs	2,050
Interest	105,204
Miscellaneous	76,008
<i>Total General Receipts</i>	<u>9,314,961</u>
Change in Net Position	148,254
<i>Net Position Beginning of Year</i>	<u>8,150,114</u>
<i>Net Position End of Year</i>	<u>\$8,298,368</u>

See accompanying notes to the basic financial statements.



**Hardin-Houston Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2020*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$6,013,645	\$987,906	\$1,232,459	\$8,234,010
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>64,358</u>	<u>-</u>	<u>-</u>	<u>64,358</u>
<i>Total Assets</i>	<u><u>6,078,003</u></u>	<u><u>\$987,906</u></u>	<u><u>\$1,232,459</u></u>	<u><u>\$8,298,368</u></u>
<b>Fund Balances</b>				
Restricted	\$64,358	\$987,906	\$1,300,150	\$2,352,414
Assigned	2,148,166	-	-	2,148,166
Unassigned	<u>3,865,479</u>	<u>-</u>	<u>(67,691)</u>	<u>3,797,788</u>
<i>Total Fund Balances</i>	<u><u>\$6,078,003</u></u>	<u><u>\$987,906</u></u>	<u><u>\$1,232,459</u></u>	<u><u>\$8,298,368</u></u>

See accompanying notes to the basic financial statements.

**Hardin-Houston Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2020*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,239,075	\$647,709	\$41,622	\$2,928,406
Income Taxes	618,461	-	309,231	927,692
Intergovernmental	5,678,244	89,608	713,673	6,481,525
Interest	103,902	-	2,214	106,116
Tuition and Fees	1,278,979	-	-	1,278,979
Extracurricular Activities	15,144	-	51,901	67,045
Contributions and Donations	135	-	2,339	2,474
Charges for Services	2,050	-	95,112	97,162
Miscellaneous	76,008	-	2,058	78,066
<i>Total Receipts</i>	<u>10,011,998</u>	<u>737,317</u>	<u>1,218,150</u>	<u>11,967,465</u>
<b>Disbursements</b>				
Current:				
Regular	4,952,863	-	84,056	5,036,919
Special	914,953	-	239,700	1,154,653
Vocational	111,586	-	-	111,586
Student Intervention Services	193	-	-	193
Other	36,885	-	-	36,885
Support Services:				
Pupil	860,180	-	215,599	1,075,779
Instructional Staff	250,219	-	2,568	252,787
Board of Education	8,376	-	-	8,376
Administration	730,030	-	-	730,030
Fiscal	280,064	15,405	5,622	301,091
Business	615	-	-	615
Operation and Maintenance of Plant	1,111,037	-	28,567	1,139,604
Pupil Transportation	608,084	-	107,352	715,436
Central	30,362	-	-	30,362
Operation of Non-Instructional Services	-	-	307,952	307,952
Extracurricular Activities	193,881	-	86,557	280,438
Capital Outlay	-	-	29,130	29,130
Debt Service:				
Principal Retirement	-	370,000	-	370,000
Interest and Fiscal Charges	-	237,375	-	237,375
<i>Total Disbursements</i>	<u>10,089,328</u>	<u>622,780</u>	<u>1,107,103</u>	<u>11,819,211</u>
<i>Excess of Revenues Under Expenditures</i>				
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(77,330)</u>	<u>114,537</u>	<u>111,047</u>	<u>148,254</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	50,000	50,000
Transfers Out	(50,000)	-	-	(50,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(127,330)	114,537	161,047	148,254
<i>Fund Balances Beginning of Year</i>	<u>6,205,333</u>	<u>873,369</u>	<u>1,071,412</u>	<u>8,150,114</u>
<i>Fund Balances End of Year</i>	<u>\$6,078,003</u>	<u>\$987,906</u>	<u>\$1,232,459</u>	<u>\$8,298,368</u>

See accompanying notes to the basic financial statements.

**Hardin-Houston Local School District**  
*Statement of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2020*

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<b>Revenues:</b>				
Property Taxes	\$2,227,400	\$2,227,400	\$2,239,075	\$11,675
Income Taxes	575,000	575,000	618,461	43,461
Intergovernmental	5,736,500	5,736,500	5,678,244	(58,256)
Interest	100,000	100,000	103,902	3,902
Tuition and Fees	1,188,200	1,188,200	1,278,979	90,779
Contributions and Donations	500	500	2,050	1,550
Miscellaneous	3,000	3,000	11,241	8,241
<b>Total Revenues</b>	<b>9,830,600</b>	<b>9,830,600</b>	<b>9,931,952</b>	<b>101,352</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	5,288,200	5,668,200	4,954,158	714,042
Special	1,066,820	1,066,820	918,441	148,379
Vocational	114,500	114,500	111,586	2,914
Student Intervention Services	1,600	1,600	193	1,407
Other	50,000	50,000	36,885	13,115
Support Services:				
Pupils	746,050	746,050	853,394	(107,344)
Instructional Staff	264,280	264,280	250,766	13,514
Board of Education	9,350	9,350	8,376	974
Administration	764,920	764,920	730,030	34,890
Fiscal	302,280	302,280	280,064	22,216
Business	1,000	1,000	615	385
Operation and Maintenance of Plant	863,210	1,463,210	1,161,701	301,509
Pupil Transportation	753,100	753,100	633,834	119,266
Central	35,900	35,900	30,362	5,538
Extracurricular Activities	206,500	206,500	194,292	12,208
Capital Outlay	5,000	5,000	5,000	5,000
<b>Total Expenditures</b>	<b>10,472,710</b>	<b>11,452,710</b>	<b>10,164,697</b>	<b>1,288,013</b>
Excess of Revenues Over (Under) Expenditures	(642,110)	(1,622,110)	(232,745)	1,389,365
<b>Other Financing Source (Uses)</b>				
Refund of Prior Year Expenditure	40,000	40,000	64,767	24,767
Transfers Out	(50,000)	(50,000)	(50,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>14,767</b>	<b>24,767</b>
Net Change in Fund Balances	(652,110)	(1,632,110)	(217,978)	1,414,132
Fund Balance at Beginning of Year	6,186,669	6,186,669	6,186,669	-
Prior Year Encumbrances Appropriated	1,710	1,710	1,710	-
<b>Fund Balance at End of Year</b>	<b>\$5,536,269</b>	<b>\$4,556,269</b>	<b>\$5,970,401</b>	<b>\$1,414,132</b>

See Accompanying Notes to the Basic Financial Statements.

**Hardin-Houston Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2020*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,942	\$96,629
<b>Liabilities</b>		
Due to Students	\$0	\$96,629
<b>Net Position</b>		
Held in Trust for Scholarships	1,942	
Total Net Position	\$1,942	

See accompanying notes to the basic financial statements.

**Hardin-Houston Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Private Purpose Trust
<b>Additions</b>	
Miscellaneous	\$1,400
<b>Deductions</b>	
Scholarships	1,500
Change in Net Position	(100)
Net Position - Beginning of Year	2,042
Net Position - End of Year	\$1,942

See accompanying notes to the basic financial statements.

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**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 1 - Reporting Entity**

Hardin-Houston Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in Shelby County. The School District is staffed by 42 non-certificated employees, 57 certificated full-time teaching personnel. The School District ADM for fiscal year 2020 was 855. The School District currently operates one instructional/support buildings.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

**A. Primary Government**

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Hardin-Houston Local School District, this includes general operations, food service, and student related activities of the School District.

**B. Component Units**

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

The School District participates in one jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Note 13 to the basic financial statements. The jointly governed organizations:

Western Ohio Computer Organization

Insurance Purchasing Pools:

Shelby County Schools Consortium

Southwestern Ohio Educational Purchasing Council

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 1 - Reporting Entity** (continued)

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. However, the School District does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.



**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds, except the General Fund. The legal level of control for this fund is at the object level within the fund. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2020, the School District invested in certificates of deposit.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2020 was \$103,902, which included \$28,697 assigned from other School District funds.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of buses.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension (OPEB) Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension (OPEB) plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

**K. Long-Term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**L. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. The School District did not have net position restricted by enabling legislation at June 30, 2020.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

**N. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**O. Estimates**

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**Note 3 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (modified cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 3 - Budgetary Basis of Accounting** (Continued)

Cash Basis	\$ (127,330)
Encumbrances	(89,753)
Perspective Differences	(895)
Budgetary Basis	<u>\$ (217,978)</u>

**Note 4 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 4 - Deposits and Investments** (continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts; and
8. Certain bankers' acceptances (for a period not to exceed one hundred eight days) and commercial paper (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

***Deposits***

The Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method. Financial institutions that have not participated in OPCS still have the option to join.

At fiscal year-end, the carrying amount of the School District's deposits was \$8,396,939 and the bank balance was \$8,617,087. \$3,500,000 of the School District's deposits was insured by federal depository insurance. As of June 30, 2020, \$5,117,087 of the School District's bank balance was exposed to custodial risk because it was uninsured and collateralized. The School District's financial institution was approved for a reduced collateral rate of 102 percent through the Ohio Pooled Collateral System.

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover its deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

***Investments***

The School District did not have any investments at June 30, 2020.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 5 - Property Taxes**

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax receipts received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, 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 revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$114,014,850	96.00%	\$114,541,680	95.71%
Public Utility Personal	4,748,500	4.00%	5,132,030	4.29%
Total	\$118,763,350	100.00%	\$119,673,710	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$34.12		\$34.12	

**Note 6 - Income Taxes**

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



**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 7 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the School District joined together with other school districts in Ohio to participate in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (See Note 13). The School District pays this annual premium to Southwestern Ohio Educational Purchasing Council who in turn pays Arthur Gallagher Risk Management Services Inc.

Insurance coverage provided includes the following:

Building and Contents (\$5,000 deductible)	\$28,152,973
Money and Securities	1,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Fiduciary (\$1,500 deductible):	
Each Offense	1,000,000
Aggregate Limit	1,000,000
Educators Legal and Employment Practices Liability:	
Each Occurrence	1,000,000
Annual Aggregate	1,000,000
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$1,000 deductible)	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2020, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 8 - Defined Benefit Pension Plans**

***Net Pension Liability/Net OPEB Liability***

The net pension/OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents the School District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 8 - Defined Benefit Pension Plans** (continued)

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14 percent; 0 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$154,977 for fiscal year 2020.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 8 - Defined Benefit Pension Plans** (continued)

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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**Note 8 - Defined Benefit Pension Plans** (continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, the employer rate was 14 percent and the member rate was 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$556,142 fiscal year 2020.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.03070920%	0.03002493%	
Current Measurement Date	0.02988090%	0.03077250%	
Change in Proportionate Share	0.00082830%	0.00074757%	
Proportionate Share of the Net Pension Liability	\$1,787,827	\$6,805,153	\$8,592,980

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 8 - Defined Benefit Pension Plans** (continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015 adopted by the Board on April 21, 2016.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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**Note 8 - Defined Benefit Pension Plans** (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 <u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
School District's proportionate share of the net pension liability	\$2,505,384	\$1,787,827	\$1,186,065

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation.

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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**Note 8 - Defined Benefit Pension Plans** (continued)

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79 and 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on the RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\* 10- Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.



**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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**Note 8 - Defined Benefit Pension Plans** (continued)

***Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District’s proportionate share of the net pension liability	\$9,944,974	\$6,805,153	\$4,147,135

**Note 9 – Defined Benefit OPEB Plans**

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

See Note 8 for a description of the net OPEB liability.

**A. School Employees Retirement System**

***Health Care Plan Description*** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 9 – Defined Benefit OPEB Plans** (continued)

***Funding Policy*** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, 0 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$20,682.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$20,682 for fiscal year 2020.

***B. State Teachers Retirement System (STRS)***

***Plan Description*** The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and a portion of the monthly Medicare Part B premiums. Medicare Part B premium reimbursements elimination was delayed until January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

***Funding Policy*** Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the year ended June 30, 2020, no employer allocation was made to the post-employment health care fund.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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**Note 9 – Defined Benefit OPEB Plans** (continued)

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB asset/liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.0310170%	0.03002493%	
Current Measurement Date	<u>0.0306227%</u>	<u>0.03077250%</u>	
Change in Proportionate Share	-0.0003943%	0.00074757%	
Proportionate Share of the Net OPEB Liability (Asset)	\$770,097	(\$509,666)	\$260,431

***Actuarial Assumptions - SERS***

SERS' total OPEB liability was determined by their actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 9 – Defined Benefit OPEB Plans** (continued)

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Rate	3.13 percent
Prior Measurement Rate	3.62 percent
Single Equivalent Interest Rate, net of investment expense, including price inflation	
Measurement Rate	3.22 percent
Prior Measurement Rate	3.70 percent
Medical Trend Assumption	
Medicare	5.25-4.75 percent
Pre-Medicare	7.0-4.75 percent

The mortality rates were based on the RP-2014 Blue Collar Morality Table with fully generational projection and Scale BB, 120 percent of male rates, and 110 percent of female rates. RP-2000 Disable Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

**Note 9 – Defined Benefit OPEB Plans** (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes to the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (2.22%)</u>	<u>Current Discount Rate (3.22%)</u>	<u>1% Increase (4.22%)</u>
School District's proportionate share of the net OPEB liability	\$934,748	\$770,097	\$639,177
	<u>1% Decrease 6.00% decreasing to 3.75%</u>	<u>Current Discount Rate 7.00% decreasing to 4.75%</u>	<u>1% Increase 8.00% decreasing to 5.75%</u>
School District's proportionate share of the net OPEB liability	\$617,003	\$770,097	\$973,214

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 9 – Defined Benefit OPEB Plans** (continued)

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation.

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased from 1.944 percent to 1.984 percent per year of service effective January 1, 2020. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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**Note 9 – Defined Benefit OPEB Plans** (continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
<b>Total</b>	<b>100.00 %</b>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes to the Health Care Cost Trend Rates** The following tables represents the net OPEB liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$434,899)	(\$509,666)	(\$572,529)
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB asset	(\$577,938)	(\$509,666)	(\$426,050)

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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**Note 10 – Debt**

The changes in the School District’s long-term obligations during fiscal year 2020 were as follows:

	Amount Outstanding 6/30/19	Additions	Deletions	Amount Outstanding 6/30/20	Amount Due in One Year
<b>Governmental Activities</b>					
Classroom Facilities Refunding					
Bonds - 2-4%					
Serial Bonds	\$ 6,015,000	\$ -	\$ (370,000)	\$ 5,645,000	\$ 375,000
Term Bonds	890,000	-	-	890,000	-
Capital Appreciation Bonds	179,993	-	-	179,993	-
Accretion on CABs	257,723	108,887	-	366,610	-
Total Debt	<u>\$ 7,342,716</u>	<u>\$ 108,887</u>	<u>\$ (370,000)</u>	<u>\$ 7,081,603</u>	<u>\$ 375,000</u>

During 2015, the School District issued \$7,564,993 in Classroom Facilities Refunding bonds with interest rates ranging from 1.75% to 4%. \$6,495,000 are serial bonds with interest rates ranging from 1.75% to 4%, \$890,000 are term bonds with a 2.75% interest rate, and \$179,993 are capital appreciation bonds, maturing on December 1, 2022, 2023, and 2024 with a maturity value of \$390,000.

The term bonds due December 1, 2029, are subject to mandatory sinking fund redemption as follows:

Year	Amount to be Redeemed
2028	\$440,000

The remaining \$450,000 principal amount of the bonds due December 1, 2029, is to be paid at stated maturity.

The School District's overall debt margin was \$5,043,547, the energy conservation debt margin was \$1,077,063 and the un-voted debt margin was \$119,674 at June 30, 2020.



**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 10 – Debt** (continued)

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2020, are as follows:

Fiscal Year Ending June 30,	Refunding Bonds, 2015	
	Principal	Interest
2021	\$375,000	\$230,856
2022	385,000	223,725
2023	73,616	536,259
2024	59,035	550,841
2025	47,342	562,532
2026-2030	2,115,000	904,738
3031-2035	2,505,000	489,700
2036-2037	1,155,000	46,700
Subtotal	6,714,993	3,545,351
Accretion	366,610	(366,610)
Total	\$7,081,603	\$3,178,741

**Note 11 – Fund Balance**

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

**Note 11 – Fund Balance** (continued)

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Food Service Operations	\$0	\$0	\$157,764	\$157,764
Chamber of Commerce Grant	-	-	2,739	2,739
Classroom Maintenance	-	-	580,763	580,763
Athletics	-	-	37,024	37,024
Bus Purchases	64,358	-	-	64,358
Capital Improvements	-	-	476,770	476,770
Debt Service	-	987,906	-	987,906
State and Federal Grants	-	-	40,000	40,000
Other Local Grants	-	-	5,090	5,090
<b>Total Restricted</b>	<b>64,358</b>	<b>987,906</b>	<b>1,300,150</b>	<b>2,352,414</b>
Assigned for:				
Unpaid Obligations	89,753	-	-	89,753
FY 21 Appropriations	2,040,567	-	-	2,040,567
Public School Supprt	17,846	-	-	17,846
<b>Total Assigned</b>	<b>2,148,166</b>	<b>-</b>	<b>-</b>	<b>2,148,166</b>
Unassigned	3,865,479	-	(67,691)	3,797,788
<b>Total Fund Balance</b>	<b>\$ 6,078,003</b>	<b>\$ 987,906</b>	<b>\$ 1,232,459</b>	<b>\$ 8,298,368</b>

**Note 12 – Set-Aside Requirements**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2020.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2019	\$0
Current Year Set-aside Requirement	155,394
Current Year Offsets	(155,394)
Set-aside Balances	\$0
Amount of Set-aside Carried Forward to Future Fiscal Years	\$0

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools**

**A. Jointly Governed Organizations**

*Western Ohio Computer Organization* - The Hardin-Houston Local School District is a participant in the Western Ohio Computer Organization (WOCO), a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$71,624 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

**B. Insurance Purchasing Pools**

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

Each school district pays monthly premiums to the provider, currently Self-Funded plan for health and dental insurance, VSP for vision insurance and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district. The degree of control exercised by any participating school district is limited to its representation on the committee. During 2020, the School District paid \$1,563,296 for benefits. Financial information can be obtained from Larry Lentz, who serves as consultant to the group, Pinnacle Advisory Group, 131 N. Ludlow Street, Dayton, Ohio 45402.

*Southwestern Ohio Educational Purchasing Council* - The district participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), an insurance purchasing pool, for workers' compensation and property insurance. The SOEPC was established under Section 2744.081 of the Ohio Revised Code. SOEPC is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SOEPC's business and affairs are conducted by a board consisting of seven school administrators, who are elected by the membership each year.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools** (continued)

In addition the cooperative hires attorneys, auditors and actuaries to assist in running the day to day program. Gallagher is responsible for the insurance program administration. JWF Specialty Company is responsible for processing claims between SOEPC and its members. Payments to SOEPC are made from the General Fund. During fiscal year 2020, the School District paid \$40,192 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Note 14 – Interfund**

During fiscal year 2020, the General Fund transferred \$50,000 to the Athletic Fund to provide support needed.

**Note 15 – Significant Contractual Commitments**

The School District had the following contractual commitments at June 30, 2020:

<u>Vendor</u>	<u>Amount</u>	<u>Expended</u>	<u>Balance</u>
Energy Optimizers	\$ 300,000	\$ 258,125	\$ 41,875
Meyer's Garage	25,000	-	25,000
K&K Tours	10,000	-	10,000

**Note 16 – Contingent Liabilities**

**Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2020.

**Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. ODE owed the School District \$6,250.

**Litigation**

There are currently no matters in litigation with the School District as defendant.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 17 – Compliance**

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

**Note 18 – Negative Fund Balance**

During fiscal year 2020, the ESC 21<sup>st</sup> Century Grant and Title I funds had deficit fund balances of \$66,441, and \$1,250. The deficit will be eliminated when grant dollars are received during the first quarter of fiscal year 2021.

**Note 19 – COVID 19 Pandemic**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods for the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the School District's future operating costs, revenues, and the amount of any recovery from emergency funding, either federal or state, cannot be estimated.

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**Hardin-Houston Local School District**

*Statement of Net Position - Cash Basis*

*June 30, 2019*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,150,114</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$350,308
Debt Service	873,369
School Bus Purchases	64,358
Other Purposes	721,104
Unrestricted	<u>6,140,975</u>
<i>Total Net Position</i>	<u>\$8,150,114</u>

See accompanying notes to the basic financial statements.

**Hardin-Houston Local School District**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2019*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$4,983,027	\$1,254,502	\$37,835	(\$3,690,690)
Special	1,108,843	-	731,273	(377,570)
Vocational	101,972	5,077	13,145	(83,750)
Student Intervention Services	1,347	-	-	(1,347)
Other	42,084	-	-	(42,084)
Support Services:				
Pupil	830,345	13,822	173,434	(643,089)
Instructional Staff	238,626	-	1,000	(237,626)
Board of Education	7,884	-	-	(7,884)
Administration	673,211	-	-	(673,211)
Fiscal	307,994	17,553	-	(290,441)
Business	638	-	-	(638)
Operation and Maintenance of Plant	897,254	25,494	4,095	(867,665)
Pupil Transportation	791,053	-	17,059	(773,994)
Central	30,515	-	-	(30,515)
Operation of Non-Instructional Services	285,271	107,674	169,625	(7,972)
Extracurricular Activities	293,203	56,908	2,990	(233,305)
Capital Outlay	973,041	34,000	-	(939,041)
Principal Retirement	375,000	-	-	(375,000)
Interest and Fiscal Charges	241,613	-	-	(241,613)
<i>Total Governmental Activities</i>	<u>\$12,182,921</u>	<u>\$1,515,030</u>	<u>\$1,150,456</u>	(9,517,435)
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				2,238,976
Capital Maintenance				41,599
Debt Service				649,528
Income Taxes Levied for General Purposes				577,164
Income Taxes Levied for Capital Outlay				288,582
Grants and Entitlements not Restricted to Specific Programs				5,451,739
Donations Not Restricted to Specific Programs				996
Interest				92,452
Miscellaneous				21,543
<i>Total General Receipts</i>				<u>9,362,579</u>
Change in Net Position				(154,856)
<i>Net Position Beginning of Year</i>				<u>8,304,970</u>
<i>Net Position End of Year</i>				<u>\$8,150,114</u>

See accompanying notes to the basic financial statements.



**Hardin-Houston Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2019*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$6,140,975	\$873,369	\$1,071,412	\$8,085,756
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>64,358</u>	<u>-</u>	<u>-</u>	<u>64,358</u>
<i>Total Assets</i>	<u>\$6,205,333</u>	<u>\$873,369</u>	<u>\$1,071,412</u>	<u>\$8,150,114</u>
<b>Fund Balances</b>				
Restricted	\$64,358	\$873,369	\$1,125,798	\$2,063,525
Assigned	1,650,773	-	-	1,650,773
Unassigned	<u>4,490,202</u>	<u>-</u>	<u>(54,386)</u>	<u>4,435,816</u>
<i>Total Fund Balances</i>	<u>\$6,205,333</u>	<u>\$873,369</u>	<u>\$1,071,412</u>	<u>\$8,150,114</u>

See accompanying notes to the basic financial statements.

**Hardin-Houston Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2019*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,238,976	\$649,528	\$41,599	\$2,930,103
Income Taxes	577,164	-	288,582	865,746
Intergovernmental	5,849,157	89,681	646,640	6,585,478
Interest	91,485	-	2,067	93,552
Tuition and Fees	1,254,502	-	-	1,254,502
Extracurricular Activities	12,447	-	58,283	70,730
Contributions and Donations	1,396	-	15,217	16,613
Charges for Services	-	-	132,968	132,968
Miscellaneous	44,173	-	34,200	78,373
<i>Total Receipts</i>	<u>10,069,300</u>	<u>739,209</u>	<u>1,219,556</u>	<u>12,028,065</u>
<b>Disbursements</b>				
Current:				
Regular	4,951,647	-	31,380	4,983,027
Special	844,234	-	264,609	1,108,843
Vocational	101,972	-	-	101,972
Student Intervention Services	1,347	-	-	1,347
Other	42,084	-	-	42,084
Support Services:				
Pupil	657,311	-	173,034	830,345
Instructional Staff	235,752	-	2,874	238,626
Board of Education	7,884	-	-	7,884
Administration	673,211	-	-	673,211
Fiscal	285,946	16,659	5,389	307,994
Business	638	-	-	638
Operation and Maintenance of Plant	775,213	-	122,041	897,254
Pupil Transportation	775,198	-	15,855	791,053
Central	30,515	-	-	30,515
Operation of Non-Instructional Services	-	-	285,271	285,271
Extracurricular Activities	189,323	-	103,880	293,203
Capital Outlay	15,932	-	957,109	973,041
Debt Service:				
Principal Retirement	-	375,000	-	375,000
Interest and Fiscal Charges	-	241,613	-	241,613
<i>Total Disbursements</i>	<u>9,588,207</u>	<u>633,272</u>	<u>1,961,442</u>	<u>12,182,921</u>
<i>Excess of Revenues Under Expenditures</i>				
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>481,093</u>	<u>105,937</u>	<u>(741,886)</u>	<u>(154,856)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	50,000	50,000
Transfers Out	(50,000)	-	-	(50,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	431,093	105,937	(691,886)	(154,856)
<i>Fund Balances Beginning of Year</i>	<u>5,774,240</u>	<u>767,432</u>	<u>1,763,298</u>	<u>8,304,970</u>
<i>Fund Balances End of Year</i>	<u>\$6,205,333</u>	<u>\$873,369</u>	<u>\$1,071,412</u>	<u>\$8,150,114</u>

See accompanying notes to the basic financial statements.

**Hardin-Houston Local School District**  
*Statement of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2019*

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	POSITIVE (NEGATIVE)
<b>Revenues:</b>				
Property Taxes	\$2,127,200	\$2,127,200	\$2,238,976	\$111,776
Income Taxes	580,000	580,000	577,164	(2,836)
Intergovernmental	5,830,500	5,830,500	5,849,157	18,657
Interest	90,000	90,000	91,485	1,485
Tuition and Fees	1,037,200	1,037,200	1,254,502	217,302
Contributions and Donations	1,000	1,000	996	(4)
Miscellaneous	15,000	15,000	3,751	(11,249)
Total Revenues	<u>9,680,900</u>	<u>9,680,900</u>	<u>10,016,031</u>	<u>335,131</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	5,256,849	5,456,849	4,951,647	505,202
Special	928,100	928,100	844,234	83,866
Vocational	137,822	137,822	101,972	35,850
Student Intervention Services	1,700	1,700	1,347	353
Other	50,000	50,000	42,084	7,916
Support Services:				
Pupils	567,454	567,454	646,484	(79,030)
Instructional Staff	243,094	243,094	235,752	7,342
Board of Education	8,425	8,425	7,884	541
Administration	706,349	706,349	673,461	32,888
Fiscal	299,774	299,774	285,946	13,828
Business	600	600	638	(38)
Operation and Maintenance of Plant	815,436	815,436	776,673	38,763
Pupil Transportation	813,709	813,709	775,198	38,511
Central	24,725	24,725	30,515	(5,790)
Extracurricular Activities	191,800	191,800	189,323	2,477
Capital Outlay	29,550	29,550	15,932	13,618
Total Expenditures	<u>10,075,387</u>	<u>10,275,387</u>	<u>9,579,090</u>	<u>696,297</u>
Excess of Revenues Over (Under) Expenditures	<u>(394,487)</u>	<u>(594,487)</u>	<u>436,941</u>	<u>1,031,428</u>
<b>Other Financing Source (Uses)</b>				
Refund of Prior Year Expenditure	50,000	50,000	40,422	(9,578)
Transfers Out	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(9,578)</u>	<u>(9,578)</u>
Net Change in Fund Balances	(394,487)	(594,487)	427,363	1,021,850
Fund Balance at Beginning of Year	5,638,918	5,638,918	5,638,918	-
Prior Year Encumbrances Appropriated	120,388	120,388	120,388	-
Fund Balance at End of Year	<u>\$5,364,819</u>	<u>\$5,164,819</u>	<u>\$6,186,669</u>	<u>\$1,021,850</u>

See Accompanying Notes to the Basic Financial Statements.

**Hardin-Houston Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2019*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,042	\$76,579
<b>Liabilities</b>		
Due to Students	\$0	\$76,579
<b>Net Position</b>		
Held in Trust for Scholarships	2,042	
Total Net Position	\$2,042	

See accompanying notes to the basic financial statements.

**Hardin-Houston Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2019*

	Private Purpose Trust
<b>Additions</b>	
Miscellaneous	\$1,700
<b>Deductions</b>	
Scholarships	1,800
Change in Net Position	(100)
Net Position - Beginning of Year	2,142
Net Position - End of Year	\$2,042

See accompanying notes to the basic financial statements.

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**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 1 - Reporting Entity**

Hardin-Houston Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in Shelby County. The School District is staffed by 41 non-certificated employees, 56 certificated full-time teaching personnel. The School District ADM for fiscal year 2019 was 877. The School District currently operates one instructional/support buildings.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

**A. Primary Government**

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Hardin-Houston Local School District, this includes general operations, food service, and student related activities of the School District.

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**B. Component Units**

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

The School District participates in two jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 13 to the basic financial statements. The jointly governed organizations are:

Western Ohio Computer Organization  
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation  
Group Rating Plan  
Shelby County Schools Consortium  
Southwestern Ohio Educational Council Property, Fleet and Liability Insurance  
Program

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 1 - Reporting Entity** (continued)

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. However, the School District does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.



**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds, except the General Fund. The legal level of control for this fund is at the object level within the fund. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2019, the School District invested in certificates of deposit.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2019 was \$91,485, which included \$22,828 assigned from other School District funds.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of buses.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension (OPEB) Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension (OPEB) plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

**K. Long-Term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**L. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. The School District did not have net position restricted by enabling legislation at June 30, 2019.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

**N. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**O. Estimates**

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**Note 3 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (modified cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 3 - Budgetary Basis of Accounting** (Continued)

Cash Basis	\$ 431,093
Encumbrances	(1,710)
Perspective Differences	(2,020)
Budgetary Basis	<u>\$ 427,363</u>

**Note 4 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 4 - Deposits and Investments** (continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts; and
8. Certain bankers' acceptances (for a period not to exceed one hundred eight days) and commercial paper (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

***Deposits***

The Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method. Financial institutions that have not participated in OPCS still have the option to join.

At fiscal year-end, the carrying amount of the School District's deposits was \$8,228,735 and the bank balance was \$8,509,004. \$3,500,000 of the School District's deposits was insured by federal depository insurance. As of June 30, 2019, \$5,009,004 of the School District's bank balance was exposed to custodial risk because it was uninsured and collateralized. The School District's financial institution was approved for a reduced collateral rate of 102 percent through the Ohio Pooled Collateral System.

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover its deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

***Investments***

The School District did not have any investments at June 30, 2019.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 5 - Property Taxes**

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax receipts received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, 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 revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$114,298,470	96.26%	\$114,014,850	96.00%
Public Utility Personal	4,445,220	3.74%	4,748,500	4.00%
Total	\$118,743,690	100.00%	\$118,763,350	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$34.12		\$34.12	

**Note 6 - Income Taxes**

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



**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 7 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District joined together with other school districts in Ohio to participate in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (See Note 13). The School District pays this annual premium to Southwestern Ohio Educational Purchasing Council who in turn pays Arthur Gallagher Risk Management Services Inc.

Insurance coverage provided includes the following:

Building and Contents (\$5,000 deductible)	\$27,546,941
Money and Securities	1,000,000
Comprehensive Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Fiduciary (\$5,000 deductible):	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$1,000 deductible)	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2019, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 8 - Defined Benefit Pension Plans**

***Net Pension Liability/Net OPEB Liability***

The net pension/OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 8 - Defined Benefit Pension Plans** (continued)

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$147,398 for fiscal year 2019.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 8 - Defined Benefit Pension Plans** (continued)

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 8 - Defined Benefit Pension Plans** (continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the member rate was 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$539,776 fiscal year 2019.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02810890%	0.02934499%	
Current Measurement Date	0.03070920%	0.03002493%	
Change in Proportionate Share	0.00260030%	0.00067994%	
Proportionate Share of the Net Pension Liability	\$1,758,773	\$6,601,808	\$8,360,581

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 8 - Defined Benefit Pension Plans** (continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015 adopted by the Board on April 21, 2016.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2019

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**Note 8 - Defined Benefit Pension Plans** (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$2,477,364	\$1,758,773	\$1,156,282

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation.

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2019

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**Note 8 - Defined Benefit Pension Plans** (continued)

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79 and 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on the RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\* 10- Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.



**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2019

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**Note 8 - Defined Benefit Pension Plans** (continued)

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$9,641,071	\$6,601,808	\$4,029,484

**Note 9 – Defined Benefit OPEB Plans**

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

See Note 8 for a description of the net OPEB liability.

**A. School Employees Retirement System**

***Health Care Plan Description*** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 9 – Defined Benefit OPEB Plans** (continued)

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$18,694.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$24,153 for fiscal year 2019.

**B. State Teachers Retirement System (STRS)**

**Plan Description** The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and a portion of the monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2019. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the year ended June 30, 2019, no employer allocation was made to the post-employment health care fund.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 9 – Defined Benefit OPEB Plans** (continued)

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB asset/liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.0285605%	0.02934499%	
Current Measurement Date	0.0310170%	0.03002493%	
Change in Proportionate Share	0.0024565%	0.00067994%	
Proportionate Share of the Net OPEB Liability (Asset)	\$860,495	(\$482,000)	\$378,495

***Actuarial Assumptions - SERS***

SERS' total OPEB liability was determined by their actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 9 – Defined Benefit OPEB Plans** (continued)

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Rate	3.62 percent
Prior Measurement Rate	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Rate	3.70 percent
Prior Measurement Rate	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

The mortality rates were based on the RP-2014 Blue Collar Morality Table with fully generational projection and Scale BB, 120 percent of male rates, and 110 percent of female rates. RP-2000 Disable Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2019

**Note 9 – Defined Benefit OPEB Plans** (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes to the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (2.70%)</u>	<u>Current Discount Rate (3.70%)</u>	<u>1% Increase (4.70%)</u>
School District's proportionate share of the net OPEB liability	\$1,044,143	\$860,495	\$715,080
	<u>1% Decrease 6.25% decreasing to 3.75%</u>	<u>Current Discount Rate 7.25% decreasing to 4.75%</u>	<u>1% Increase 8.25% decreasing to 5.75%</u>
School District's proportionate share of the net OPEB liability	\$694,262	\$860,495	\$1,080,618

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 9 – Defined Benefit OPEB Plans** (continued)

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation.

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 percent initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2019

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**Note 9 – Defined Benefit OPEB Plans** (continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
<b>Total</b>	<b>100.00 %</b>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes to the Health Care Cost Trend Rates** The following tables represents the net OPEB liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$413,522)	(\$482,000)	(\$540,418)
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB asset	(\$537,146)	(\$482,000)	(\$426,942)

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 10 – Debt**

The changes in the School District’s long-term obligations during fiscal year 2019 were as follows:

	Amount Outstanding 6/30/18	Additions	Deletions	Amount Outstanding 6/30/19	Amount Due in One Year
<b>Governmental Activities</b>					
Classroom Facilities					
Improvement Bonds - 3.0-5.5%					
Capital Appreciation Bonds	\$ 251,224	\$ 23,776	\$ (275,000)	\$ -	\$ -
Classroom Facilities Refunding					
Bonds - 2-4%					
Serial Bonds	6,115,000	-	(100,000)	6,015,000	370,000
Term Bonds	890,000	-	-	890,000	-
Capital Appreciation Bonds	179,993	-	-	179,993	-
Accretion on CABs	170,527	87,196	-	257,723	-
<b>Total Debt</b>	<b>\$ 7,606,744</b>	<b>\$ 110,972</b>	<b>\$ (375,000)</b>	<b>\$ 7,342,716</b>	<b>\$ 370,000</b>

On December 23, 2008, the School District issued \$9,204,996 in Classroom Facilities Improvement Bonds. The bonds had a premium of \$274,769 and issuance costs of \$192,883. Of the bonds, \$5,275,000 is serial bonds with interest rates from 3% to 4.5% with a final maturity December 1, 2033. \$3,750,000 is term bonds (\$1,975,000 with a 5.25% interest rate maturing on December 1, 2033 and \$1,775,000 with a 5.5% interest rate maturing on December 1, 2036). \$179,996 is capital appreciation bonds (maturity amount of \$275,000 on December 2016, 2017, and 2018).

During 2015, the School District issued \$7,564,993 in Classroom Facilities Refunding bonds with interest rates ranging from 1.75% to 4%. \$6,495,000 are serial bonds with interest rates ranging from 1.75% to 4%, \$890,000 are term bonds with a 2.75% interest rate, and \$179,993 are capital appreciation bonds, maturing on December 1, 2022, 2023, and 2024 with a maturity value of \$390,000.

The term bonds due December 1, 2029, are subject to mandatory sinking fund redemption as follows:

Year	Amount to be Redeemed
2028	\$440,000

The remaining \$450,000 principal amount of the bonds due December 1, 2029, is to be paid at stated maturity.

The School District's overall debt margin was \$4,477,078, the energy conservation debt margin was \$1,068,870 and the un-voted debt margin was \$118,763 at June 30, 2019.



**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 10 – Debt** (continued)

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2019, are as follows:

Fiscal Year	<u>Refunding Bonds, 2015</u>	
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$370,000	\$237,376
2021	375,000	230,856
2022	385,000	223,725
2023	73,616	536,259
2024	59,035	550,841
2025-2029	1,712,342	1,314,682
2030-2034	2,415,000	585,288
2035-2037	1,695,000	103,700
Subtotal	<u>7,084,993</u>	<u>3,782,727</u>
Accretion	257,723	(257,723)
Total	<u><u>\$7,342,716</u></u>	<u><u>\$3,525,004</u></u>

**Note 11 – Fund Balance**

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

**Note 11 – Fund Balance** (continued)

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Food Service Operations	\$0	\$0	\$213,995	\$213,995
Chamber of Commerce Grant	-	-	2,717	2,717
Classroom Maintenance	-	-	523,731	523,731
Athletics	-	-	27,906	27,906
Bus Purchases	64,358	-	-	64,358
Capital Improvements	-	-	350,308	350,308
Debt Service	-	873,369	-	873,369
Other Local Grants	-	-	7,141	7,141
<b>Total Restricted</b>	<b>64,358</b>	<b>873,369</b>	<b>1,125,798</b>	<b>2,063,525</b>
Assigned for:				
Unpaid Obligations	1,710	-	-	1,710
FY 20 Appropriations	1,632,110	-	-	1,632,110
Public School Supprt	16,953	-	-	16,953
<b>Total Assigned</b>	<b>1,650,773</b>	<b>-</b>	<b>-</b>	<b>1,650,773</b>
Unassigned	4,490,202	-	(54,386)	4,435,816
<b>Total Fund Balance</b>	<b>\$ 6,205,333</b>	<b>\$ 873,369</b>	<b>\$ 1,071,412</b>	<b>\$ 8,150,114</b>

**Note 12 – Set-Aside Requirements**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2019.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	158,103
Current Year Offsets	(158,103)
Set-aside Balances	\$0
Amount of Set-aside Carried Forward to Future Fiscal Years	\$0

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools**

**A. Jointly Governed Organizations**

*Western Ohio Computer Organization* - The Hardin-Houston Local School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$73,615 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

*Southwestern Ohio Educational Purchasing Council* - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 240 school districts/organizations in 37 counties in Ohio and 2 in Kentucky. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2019, the School District paid \$40,602 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**B. Insurance Purchasing Pools**

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

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

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools** (continued)

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During 2019, the School District paid \$1,174,985 for benefits. Financial information can be obtained from Larry Lentz, who serves as consultant to the group, Pinnacle Advisory Group, 131 N. Ludlow Street, Dayton, OH 45402.

*Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program* – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL’s business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2019, the School District paid \$40,602 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Note 14 – Interfund**

During fiscal year 2019, the General Fund transferred \$50,000 to the Athletic Fund to provide support needed.

**Note 15 – Significant Contractual Commitments**

The School District had the following contractual commitments at June 30, 2019:

<u>Vendor</u>	<u>Amount</u>	<u>Expended</u>	<u>Balance</u>
Westerheide Construction Co	\$ 996,300	\$ 957,109	\$ 39,191

**Note 16 – Contingent Liabilities**

**Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2019.

**Hardin-Houston Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 16 – Contingent Liabilities** (continued)

**Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. The School District owes \$5,250 to ODE.

**Litigation**

There are currently no matters in litigation with the School District as defendant.

**Note 17 – Compliance**

Ohio Administrative Code Section 117-2-03(B) requires that the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2019, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standard Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**Note 18 – Negative Fund Balance**

During fiscal year 2019, the ESC 21<sup>st</sup> Century Grant, Title I, Early Childhood Special Education IDEA and Title IV funds had deficit fund balances of \$37,552, \$12,987, \$164 and \$3,683, respectively. The deficit will be eliminated when grant dollars are received during the first quarter of fiscal year 2020.

**Note 19 – Change in Accounting Principles**

For fiscal year 2019, the School District has implemented Governmental Accounting Standard Board Statement No. 83, “*Certain Asset Retirement Obligations*”. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2019, the School District has implemented GASB Statement No. 88, which improves the information that is disclosed in notes to governmental financial statements related to debt, including direct borrows and direct placements. The implementation of GASB 88 did not have an effect on the financial statements of the School District.

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# OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hardin-Houston Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 5, 2021, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District.

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

As part of our financial statement audit, we considered the School 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School 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 School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

**School District's Response to Finding**

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 5, 2021



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

**SCHEDULE OF FINDINGS  
JUNE 30, 2020 AND 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2020-001**

**Noncompliance – Failure to File GAAP Financial Statements**

**Ohio Rev. Code §117.38(A)** provides that each public office “shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.”

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District’s ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

**Official’s Response:**

It is the position of the district that GAAP statements do not add a significant value to the overall financial statements, therefore this substantial additional expense associated with the preparation and audit of GAAP would not be justified.

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# Hardin-Houston Local School

5300 Houston Road, Houston, Ohio 45333

Ryan Maier  
Superintendent  
Sara Roseberry  
Elementary Principal

Amy Ayers  
Treasurer  
Jeff Judy  
High School Principal

Craig Knouff  
Assistant Principal  
Athletic Director

ph: (937) 295-3010 fx: (937) 295-3737

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Noncompliance – Failure to File GAAP Originally issued as Finding 2016-001	Not Corrected	Repeated as Finding 2020-001

# OHIO AUDITOR OF STATE KEITH FABER



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

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/4/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)