



Mary Taylor, CPA  
Auditor of State



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

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin-Houston Local School District, Shelby County, (the District), as of and for the year ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin-Houston Local School District, Shelby County, as of June 30, 2008 and 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 27, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

This discussion and analysis of the Hardin Houston Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2008 are as follows:

- Net assets of governmental activities decreased 4% or \$126,068 from prior year.
- The School District's general receipts are primarily property and income taxes and intergovernmental receipts. Property and income taxes represent 29.62 percent of receipts. Grants and entitlements not restricted to specific programs represent another 51.5 percent of receipts.
- Of the School District's \$8,589,984 in cash disbursements, only \$1,426,990 or 16.61 percent of the disbursements were offset by program receipts.
- Among major funds, the General Fund had \$7,433,480 in receipts and \$7,471,974 in disbursements. The General Fund's balance decreased \$15,519 from 2007.

**Using the Basic Financial Statements**

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

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund, the Bond Retirement Fund and the Permanent Improvement Capital Projects Fund.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007 on a cash basis:

**(Table 1)**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$3,004,250	\$3,130,318
<b>Net Assets</b>		
<b>Restricted for:</b>		
Capital Projects	586,900	695,378
Debt Service	305,794	318,106
School Bus Purchases	51,544	45,361
Other Purposes	128,835	118,594
Unrestricted	1,931,177	1,952,879
<b>Total Net Assets</b>	<b>\$3,004,250</b>	<b>\$3,130,318</b>

As mentioned previously, net assets of governmental activities decreased \$126,068 during fiscal year 2008. Unrestricted net assets decreased \$21,702 as a result of general operating receipts exceeding disbursements. Net assets restricted for capital projects decreased due to the purchase of a school bus. Net assets restricted for school bus purchases increased as the School District continues to accumulate the monies in order to purchase a new bus.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2008 and fiscal year 2007.

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services	\$ 899,555	\$ 951,893
Operating Grants and Contributions	521,252	409,696
Capital Grants and Contributions	6,183	11,040
Total Program Receipts	1,426,990	1,372,629
<b>General Receipts:</b>		
Property Taxes	1,795,368	1,929,199
Income Taxes	705,011	646,933
Grants and Entitlements Not Restricted to Specific Programs	4,358,977	4,320,056
Interest and Miscellaneous	177,570	168,664
Total General Receipts	7,036,926	7,064,852
Total Receipts	8,463,916	8,437,481
<b>Disbursements:</b>		
Instruction	5,159,353	4,731,775
<b>Support Services:</b>		
Pupils and Instructional Staff	712,385	713,527
Board of Education, Administration, Fiscal and Business	742,059	735,932
Operation and Maintenance of Plant	799,607	715,613
Pupil Transportation	615,246	551,747
Central	12,388	9,149
Operation of Non-Instructional Services	246,855	226,853
Extracurricular Activities	207,408	189,693
Capital Outlay	39,210	28,891
Debt Service	55,473	57,379
Total Disbursements	8,589,984	7,960,559
Increase (Decrease) in Net Assets	(126,068)	476,922
Net Assets, Beginning of Year	3,130,318	2,653,396
Net Assets, End of Year	\$3,004,250	\$3,130,318

During fiscal year 2008, the School District had a .3% increase in receipts. Property taxes receipts decreased due to an expiration of a bond levy and the phase out of tangible personal property tax. Operating grants and contributions increased due to the School District receiving a \$50,000 21<sup>st</sup> Century grant and increase in One-net connectivity monies and Title I monies from the State.

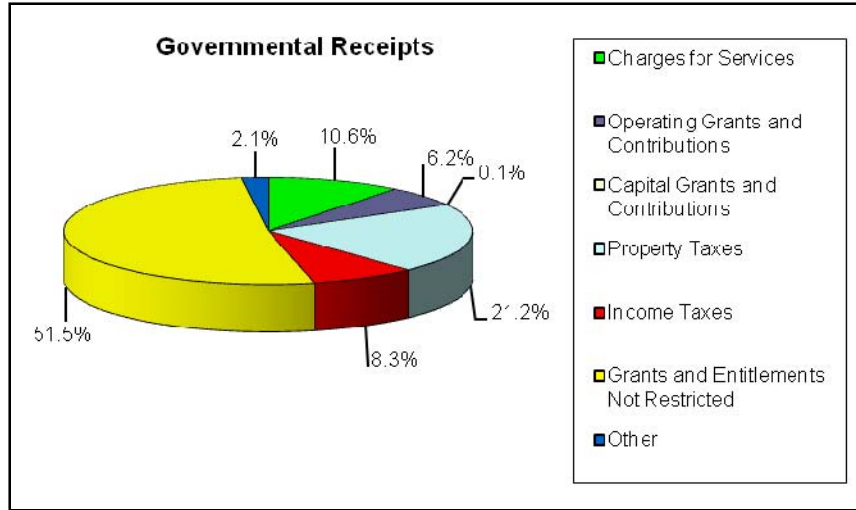
Expenses also increased during fiscal year 2008. The School District purchased additional school buses in fiscal year 2008 causing transportation disbursements to increase. In addition, the School District installed a Kinetico water system in the amount \$118,245 to ensure clean drinking water. The decrease in capital grants and contributions resulted from receiving fewer monies from the State for the purchase of school buses. Also contributing to the growth in overall expenses was increase for salaries and increases in purchased services caused by an increase in open enrollment and special education costs (MH and ED students). In addition, health insurance premiums increased in fiscal year 2008.

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

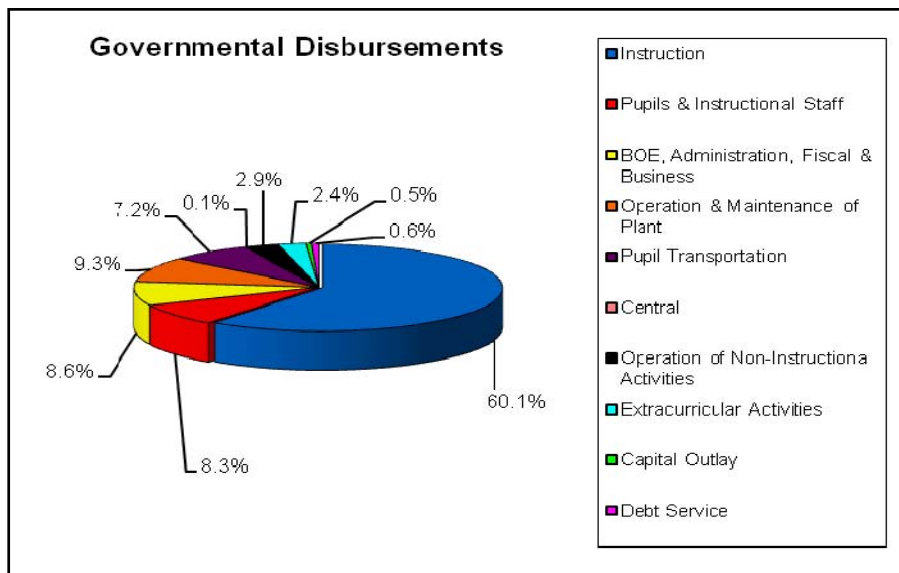
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 21.2% of receipts while income taxes add an additional 8.3% of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies.



Instruction comprises 60.1% of the School District's disbursements. Support services make up 33.5% of disbursements.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

If you look at the statement of activities on page 12, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2008</b>	<b>Net Cost of Services 2008</b>	<b>Total Cost Of Services 2007</b>	<b>Net Cost of Services 2007</b>
Instruction	\$5,159,353	(\$4,323,483)	\$4,731,775	(\$3,948,783)
<b>Support Services:</b>				
Pupils and Instructional Staff	712,385	(484,631)	713,527	(482,081)
Board of Education, Administration, Fiscal and Business	742,059	(742,059)	735,932	(732,123)
Operation and Maintenance of Plant	799,607	(790,457)	715,613	(705,713)
Pupil Transportation	615,246	(593,237)	551,747	(535,367)
Central	12,388	(11,605)	9,149	(7,827)
Operation of Non-Instructional Services	246,855	14,921	226,853	28,523
Extracurricular Activities	207,408	(137,760)	189,693	(118,289)
Capital Outlay	39,210	(39,210)	28,891	(28,891)
Debt Service	55,473	(55,473)	57,379	(57,379)
<b>Total Disbursements</b>	<b><u>\$8,589,984</u></b>	<b><u>(\$7,162,994)</u></b>	<b><u>\$7,960,559</u></b>	<b><u>(\$6,587,930)</u></b>

The dependence upon state foundation and property and income tax receipts is apparent as over 83.4 percent of governmental activities are supported through these general receipts.

**The School District's Funds**

Total governmental funds had receipts of \$8,440,808 and disbursements of \$8,589,984. The fund balance of the General Fund decreased \$15,519. Property tax revenue in the general fund decreased due to the phase out of tangible personal property tax.

The fund balance of the Bond Retirement Fund decreased \$12,312. The expiration of the bond levy caused a decrease in receipts. The fund balance in the bond retirement fund is sufficient to cover the remaining \$120,000 left on the bonds.

The fund balance of the Permanent Improvement Fund decreased \$108,478 as the School District purchased buses and a new Kinetico water system.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

**General Fund Budgeting Highlights**

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

For the General Fund, the final budget basis revenue estimate was \$7,400,600, which was the same as the original.

During fiscal year 2008, the School District closely monitored expenditures so that expenditures were \$254,889 less than appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

The School District does not currently report its capital assets and infrastructure.

**Debt**

At June 30, 2008, the School District had a \$120,000 school improvement bond outstanding and an \$87,528 energy conservation loan outstanding. The amount due in one year for this debt was \$45,502. The school improvement bond was originally issued for \$598,950 and will be paid off in fiscal year 2012. The energy conservation loan was originally \$199,096 and will be paid off in fiscal year 2013.

**Table 5  
Outstanding Debt at June 30,**

	<u>2008</u>	<u>2007</u>
1989 School Improvement Bond	\$120,000	\$145,000
1999 Energy Conservation Loan	87,528	102,138
Total General Obligation Bonds	<u>\$207,528</u>	<u>\$247,138</u>

The School District's overall legal debt margin was \$7,923,698 the energy conservation debt margin was \$704,842 and the un-voted debt margin was \$88,041 at June 30, 2008.

For more information on the School District's debt, see Note 10 of the Basic Financial Statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

**Current Issues**

The School District fluctuates back and forth of a break-even point historically over the past several years, but the 5-year forecast prepared in October 2007, projects a possible deficit in fiscal year 2011. The administration and the board of education continue to closely monitor State funding as there continues to be a reliance on the local taxpayer to maintain current levels of funding. This requires management to plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years.

On August 5, 2008, the voters of the School District approved a 7.05 mill levy. A portion of the levy, 6.55 mills, is a bond levy that will be used to pay for the local portion, \$9,209,676, needed to build a new K-12 facility. The remaining portion, \$13,814,515 has been approved for the School District by the Ohio School Facilities Commission. The ground breaking is scheduled to begin in the late summer of 2009. The remaining portion of the levy .5 mills will generate funds needed to help maintain the new facility.

The School District recently received an AA- bond rating from Standard and Poor's.

In conclusion, the Hardin Houston Local School District continues to be committed to financial as well as educational excellence. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Rebecca Jelley, 5300 Houston Road, Houston, OH 45333 or e-mail at [hh\\_becky@woco-k12.org](mailto:hh_becky@woco-k12.org).

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

**STATEMENT OF NET ASSETS- CASH BASIS  
JUNE 30, 2008**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,004,250</u></u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Capital Projects	586,900
Debt Service	305,794
School Bus Purchases	51,544
Other Purposes	128,835
Unrestricted	<u>1,931,177</u>
Total Net Assets	<u><u>\$3,004,250</u></u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
<b>Governmental Activities</b>					
<b>Instruction:</b>					
Regular	\$3,420,176	\$632,962	\$54,306		(\$2,732,908)
Special	920,436	2,639	128,338		(789,459)
Vocational	83,817		17,625		(66,192)
Other	734,924				(734,924)
<b>Support Services:</b>					
Pupil	355,051	14,614	211,382		(129,055)
Instructional Staff	357,334		1,758		(355,576)
Board of Education	12,622				(12,622)
Administration	499,291				(499,291)
Fiscal	229,193				(229,193)
Business	953				(953)
Operation and Maintenance of Plant	799,607	9,150			(790,457)
Pupil Transportation	615,246	11,196	4,630	\$6,183	(593,237)
Central	12,388		783		(11,605)
Operation of Non-Instructional Services	246,855	159,836	101,940		14,921
Extracurricular Activities	207,408	69,158	490		(137,760)
Capital Outlay	39,210				(39,210)
Principal Retirement	39,610				(39,610)
Interest and Fiscal Charges	15,863				(15,863)
<b>Total Governmental Activities</b>	<u><u>\$8,589,984</u></u>	<u><u>\$899,555</u></u>	<u><u>\$521,252</u></u>	<u><u>\$6,183</u></u>	<u><u>(7,162,994)</u></u>
<b>General Receipts</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					1,774,399
Debt Service					20,969
Income Taxes Levied for General Purposes					470,007
Income Taxes Levied for Capital Outlay					235,004
Grants and Entitlements not Restricted to Specific Programs					4,358,977
Sale of Fixed Assets					150
Interest					150,970
Miscellaneous					26,450
<b>Total General Receipts</b>					<u><u>7,036,926</u></u>
Change in Net Assets					(126,068)
Net Assets Beginning of Year					<u><u>3,130,318</u></u>
Net Assets End of Year					<u><u>\$3,004,250</u></u>

See accompanying notes to the basic financial statements.



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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,931,177	\$305,794	\$586,900	\$128,835	\$2,952,706
<b>Restricted Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	51,544				51,544
Total Assets	<u>1,982,721</u>	<u>305,794</u>	<u>586,900</u>	<u>128,835</u>	<u>3,004,250</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	37,010		17,000	1,045	55,055
Reserved for Bus Purchases	51,544				51,544
Designated for Budget Stabilization	38,784				38,784
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	1,855,383				1,855,383
Special Revenue Funds				127,790	127,790
Debt Service Fund		305,794			305,794
Capital Projects Fund			569,900		569,900
Total Fund Balances	<u>\$1,982,721</u>	<u>\$305,794</u>	<u>\$586,900</u>	<u>\$128,835</u>	<u>\$3,004,250</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FoOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>					
Property Taxes	\$1,774,399	\$20,969			\$1,795,368
Income Taxes	470,007		\$235,004		705,011
Intergovernmental	4,380,558	2,227		\$498,533	4,881,318
Interest	149,077		1,893		150,970
Tuition and Fees	644,158				644,158
Extracurricular Activities				83,772	83,772
Charges for Services				159,836	159,836
Miscellaneous	15,281			5,094	20,375
Total Receipts	<u>7,433,480</u>	<u>23,196</u>	<u>236,897</u>	<u>747,235</u>	<u>8,440,808</u>
<b>Disbursements</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,285,239		64,468	70,469	3,420,176
Special	795,982		2,098	122,356	920,436
Vocational	83,817				83,817
Other	734,924				734,924
<b>Support Services:</b>					
Pupil	134,538			222,812	357,350
Instructional Staff	352,558			2,477	355,035
Board of Education	12,622				12,622
Administration	499,291				499,291
Fiscal	224,812	538	3,843		229,193
Business	953				953
Operation and Maintenance of Plant	608,332		187,606	3,669	799,607
Pupil Transportation	523,256		87,360	4,630	615,246
Central	11,605			783	12,388
Operation of Non-Instructional Services				246,855	246,855
Extracurricular Activities	144,465			62,943	207,408
Capital Outlay	39,210				39,210
<b>Debt Service:</b>					
Principal Retirement	14,610	25,000			39,610
Interest and Fiscal Charges	5,760	10,103			15,863
Total Disbursements	<u>7,471,974</u>	<u>35,641</u>	<u>345,375</u>	<u>736,994</u>	<u>8,589,984</u>
Excess of Receipts Over (Under) Disbursements	<u>(38,494)</u>	<u>(12,445)</u>	<u>(108,478)</u>	<u>10,241</u>	<u>(149,176)</u>
<b>Other Financing Sources</b>					
Refund of Prior Year Expenditures	22,825	133			22,958
Proceeds from Sale of Assets	150				150
Total Other Financing Sources	<u>22,975</u>	<u>133</u>			<u>23,108</u>
Net Change in Fund Balances	(15,519)	(12,312)	(108,478)	10,241	(126,068)
Fund Balances Beginning of Year	<u>1,998,240</u>	<u>318,106</u>	<u>695,378</u>	<u>118,594</u>	<u>3,130,318</u>
Fund Balances End of Year	<u>\$1,982,721</u>	<u>\$305,794</u>	<u>\$586,900</u>	<u>\$128,835</u>	<u>\$3,004,250</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$1,830,000	\$1,830,000	\$1,774,399	(\$55,601)
Income Taxes	440,000	440,000	470,007	30,007
Tuition and Fees	628,200	628,200	644,158	15,958
Interest	140,000	140,000	149,077	9,077
Intergovernmental	4,340,500	4,340,500	4,380,558	40,058
Miscellaneous	18,500	18,500	15,281	(3,219)
Total Revenues	<u>7,397,200</u>	<u>7,397,200</u>	<u>7,433,480</u>	<u>36,280</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,357,787	3,362,787	3,286,108	76,679
Special	748,379	849,379	795,982	53,397
Vocational	83,918	83,918	83,817	101
Other	715,900	715,900	734,924	(19,024)
<b>Support Services:</b>				
Pupils	141,266	141,266	134,587	6,679
Instructional Staff	369,323	369,323	353,034	16,289
Board of Education	13,940	13,940	12,622	1,318
Administration	518,445	518,445	500,456	17,989
Fiscal	231,664	231,664	224,869	6,795
Business	1,500	1,500	953	547
Operation and Maintenance of Plant	595,838	649,838	622,414	27,424
Pupil Transportation	525,856	620,856	535,157	85,699
Central	10,900	10,900	11,663	(763)
Extracurricular Activities	138,683	143,683	144,465	(782)
Capital Outlay	30,099	30,099	47,563	(17,464)
<b>Debt Service:</b>				
Principal Retirement	14,615	14,615	14,610	5
Interest and Fiscal Charges	5,760	5,760	5,760	
Total Expenditures	<u>7,503,873</u>	<u>7,763,873</u>	<u>7,508,984</u>	<u>254,889</u>
Excess of Revenues Over (Under) Expenditures	<u>(106,673)</u>	<u>(366,673)</u>	<u>(75,504)</u>	<u>291,169</u>
<b>Other Financing Sources:</b>				
Refund of Prior Year Expenditure	3,400	3,400	22,825	19,425
Proceeds from Sale of Capital Assets			150	150
Total Other Financing Sources	<u>3,400</u>	<u>3,400</u>	<u>22,975</u>	<u>19,575</u>
Net Change in Fund Balances	(103,273)	(363,273)	(52,529)	310,744
Fund Balance at Beginning of Year	1,965,151	1,965,151	1,965,151	
Prior Year Encumbrances Appropriated	33,089	33,089	33,089	
Fund Balance at End of Year	<u>\$1,894,967</u>	<u>\$1,634,967</u>	<u>\$1,945,711</u>	<u>\$310,744</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2008**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,892	\$29,665
<b>Net Assets</b>		
Restricted for Students		29,665
Held in Trust for Scholarships	2,892	
Total Net Assets	\$2,892	\$29,665

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Miscellaneous	\$1,425
<b>Deductions</b>	
Scholarships	<u>800</u>
Change in Net Assets	625
Net Assets - Beginning of Year	<u>2,267</u>
Net Assets - End of Year	<u><u>\$2,892</u></u>

*See accompanying notes to the basic financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**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 45 non-certificated employees, 57 certificated full-time teaching personnel and 4 administrative employees who provide services to 904 students and other community members. The School District currently operates two 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 three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 12 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**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. In the government-side financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets 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 assets 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.

**2. 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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**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.

**1. 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 Debt Service Fund** – The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

**Permanent Improvement Capital Projects Fund** – The Permanent Improvement Capital Projects Fund accounts for a voted income tax levy to be used for the acquisition, construction, or improvement of capital facilities.

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

**2. 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.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the School District are described in the appropriate section in this note.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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 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 General Fund is at the object level. 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".

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 with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

During fiscal year 2008, the School District did not have any investments.

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 2008 was \$149,077, which included \$51,745 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 Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension 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.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**L. Net Assets**

Net assets are 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 assets 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 assets are available. The School District did not have net assets restricted by enabling legislation at June 30, 2008.

**M. Fund Balance Reserves and Designations**

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the School District's intentions and is subject to change. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and bus purchases. A fund designation has been established for budget stabilization.

**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.

**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 Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis 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 the cash basis is outstanding year-end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to:

General Fund	\$37,010
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**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**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 or Ohio local governments;
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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

**A. Deposits**

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 be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$3,036,807. At fiscal year end, \$339,953 of the bank balance of \$3,114,248 was covered by federal depository insurance. \$2,774,289 of the School District's bank balance of \$3,114,248 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**B. Investments**

The School District did not have any investments at fiscal year-end.

**Interest Rate Risk** - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

**Credit Risk** – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

**Concentration of Credit Risk** - The School District places no limits on the amount the School District may invest in any one issuer.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 receipts received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out. Tangible personal property is assessed at 6.25 percent of true value for tax year 2008. This will be reduced to 0 percent for tax year 2009.

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

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2008 taxes were collected are:

	<b>2007 Second- Half Collections</b>		<b>2008 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$75,647,550	84.39%	\$79,354,130	90.13%
Public Utility Personal	6,026,960	6.72%	4,485,430	5.10%
Tangible Personal Property	7,967,200	8.89%	4,201,530	4.77%
<b>Total</b>	<b><u>\$89,641,710</u></b>	<b><u>100.00%</u></b>	<b><u>\$88,041,090</u></b>	<b><u>100.00%</u></b>
Tax Rate per \$1,000 of Assessed Valuation	\$28.00		\$27.50	

The decrease in the tax rate is due to the bond levy that was being collected expired.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**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.

**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 2008, the School District joined together with other school districts in Ohio to participate in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (See Note 12). The School District contracts with Arthur J Gallagher & Co. through the Southwestern Ohio Educational Purchasing Council.

Coverage provided is as follows:

Building (\$1,000 deductible)	\$13,688,569
Contents (\$1,000 deductible)	4,724,769
Flood & Earthquake per occurrence/aggregate	4,000,000
Business Interruption	1,000,000
Automobile Liability (per occurrence)	1,000,000
Employee Benefits Liability:	
Per occurrence	1,000,000
Aggregate per member	3,000,000
General Liability	
Each Occurrence	1,000,000
Aggregate per Member	3,000,000
Employer's Liability – Stop Gap Coverage	
Per Occurrence	1,000,000

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2008, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). 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.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on the SERS website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$74,012 \$94,359 and \$84,473 respectively; 40.81 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

**Plan Description** - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Funding Policy** - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$400,311, \$385,599, and \$378,229 respectively; 83.17 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$6,303 made by the School District and \$6,819 made by the plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

**9. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$13,380.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$47,154, \$42,191, and \$40,157 respectively; 29.23 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$5,333, \$5,831, and \$5,270 respectively; 40.81 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

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

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$30,793, \$29,661, and \$29,095, respectively; 83.17 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**10. DEBT**

The changes in the School District’s long-term obligations during fiscal year 2008 were as follows:

	<b>Amount Outstanding 6/30/2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Amount Outstanding 6/30/2008</b>	<b>Amount Due in One Year</b>
<b>Governmental Activities</b>					
School Improvement					
Bonds 1989 7.625%	\$145,000		(\$25,000)	\$120,000	\$30,000
Energy Conservation					
Loan 1999 5.95%	102,138		(14,610)	87,528	15,502
Total Governmental Activities					
Long-Term Liabilities	<u>\$247,138</u>	<u>\$0</u>	<u>(\$39,610)</u>	<u>\$207,528</u>	<u>\$45,502</u>

The School Improvement Bonds were issued October 1, 1988, for \$598,950. The unvoted general obligation bonds were issued for the purpose of school improvements. The bonds will mature December 1, 2011, and will be retired from the Bond Retirement Debt Service Fund. The Energy Conservation Loan was issued July 7, 1998, for \$199,096. The loan was issued for the purpose of making energy conservation improvements. The loan will mature March 1, 2013, and will be retired from the General Fund.

The School District’s overall legal debt margin was \$7,923,698 the energy conservation debt margin was \$704,842 and the un-voted debt margin was \$88,041 at June 30, 2008.

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2008, are as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**10. DEBT (Continued)**

Fiscal Year Ending June 30,	School Improvement Bonds		Energy Conservation Loan	
	Principal	Interest	Principal	Interest
2009	\$ 30,000	\$ 7,961	\$15,502	\$ 4,867
2010	30,000	5,642	16,446	3,924
2011	30,000	3,385	17,447	2,923
2012	30,000	1,128	18,508	1,862
2013			19,625	736
Total	<u>\$120,000</u>	<u>\$18,116</u>	<u>\$87,528</u>	<u>\$14,312</u>

**11. 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 purchase of textbooks and other instructional materials, and an equal amount 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. In prior years, the School District was also required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, and capital improvements during fiscal year 2008.

	<b>Textbooks and Instructional Material</b>	<b>Capital Acquisitions</b>
Set-aside Reserve Balance as of June 30, 2007	(\$110,980)	(\$479,332)
Current Year Set-aside Requirement	135,332	135,332
Qualifying Disbursements	(142,804)	(6,435)
Current Year Offsets		(235,004)
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$118,452)</u>	<u>(\$585,439)</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements and textbooks amounts below zero. These extra amounts of offsets may be used to reduce the set-aside requirements in future fiscal years.

**12. 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. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative from the fiscal agent. The School District paid WOCO \$35,935 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. 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 2008, the School District paid \$2,272 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.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2008, the School District did not make any payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

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

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Medical Life Insurance Company 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. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 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 seven 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 2008, the School District paid \$29,344 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**13. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**14. SUBSEQUENT EVENT**

On August 5, 2008, the voters of the School District approved a 7.05 mill levy. A portion of the levy, 6.55 mills, is a bond levy that will be used to pay for the local portion, \$9,209,676, needed to build a new K-12 facility. The remaining portion, \$13,814,515 has been approved for the School District by the Ohio School Facilities Commission. The ground breaking is scheduled to begin in the late summer of 2009. The remaining portion of the levy, .5 mills will generate funds needed to help maintain the new facility.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED**

This discussion and analysis of the Hardin Houston Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2007 are as follows:

- Net assets of governmental activities increased 18% or \$476,922 from prior year.
- The School District's general receipts are primarily property and income taxes and intergovernmental receipts. Property and income taxes represent 30.6 percent of receipts. Grants and entitlements not restricted to specific programs represent another 51.2 percent of receipts.
- Of the School District's \$7,960,559 in cash disbursements, only \$1,372,629 or 17.2 percent of the disbursements were offset by program receipts.
- Among major funds, the General Fund had \$7,491,047 in receipts and \$7,058,992 in disbursements. The General Fund's balance increased \$435,627 over 2006.

**Using the Basic Financial Statements**

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

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Governmental Funds** - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund, the Bond Retirement Fund and the Permanent Improvement Capital Projects Fund.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared to fiscal year 2006 on a cash basis:

**(Table 1)**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$3,130,318</u>	<u>\$2,653,396</u>
<b>Net Assets</b>		
<b>Restricted for:</b>		
Capital Projects	695,378	707,667
Debt Service	318,106	307,861
School Bus Purchases	45,361	34,321
Other Purposes	118,594	75,255
Unrestricted	<u>1,952,879</u>	<u>1,528,292</u>
Total Net Assets	<u>\$3,130,318</u>	<u>\$2,653,396</u>

As mentioned previously, net assets of governmental activities increased \$476,922 during fiscal year 2007. Unrestricted net assets increased \$424,587 as a result of general operating receipts exceeding disbursements. Net assets restricted for capital projects decreased due to the spending of Schoolnet monies. Net assets restricted for school bus purchases increased as the School District continues to accumulate the monies in order to purchase a new bus.

Table 2 reflects the changes in net assets for fiscal year 2007 and fiscal year 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities 2007</b>	<b>Governmental Activities 2006</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services	\$ 951,893	\$ 889,024
Operating Grants and Contributions	409,696	366,517
Capital Grants and Contributions	11,040	17,793
Total Program Receipts	1,372,629	1,273,334
<b>General Receipts:</b>		
Property Taxes	1,929,199	1,883,672
Income Taxes	646,933	620,344
Grants and Entitlements Not Restricted to Specific Programs	4,320,056	4,209,650
Interest and Miscellaneous	168,664	129,732
Total General Receipts	7,064,852	6,843,398
Total Receipts	8,437,481	8,116,732
<b>Disbursements:</b>		
Instruction	4,731,775	4,626,382
<b>Support Services:</b>		
Pupils and Instructional Staff	713,527	715,805
Board of Education, Administration, Fiscal and Business	735,932	731,800
Operation and Maintenance of Plant	715,613	724,886
Pupil Transportation	551,747	543,815
Central	9,149	3,550
Operation of Non-Instructional Services	226,853	227,199
Extracurricular Activities	189,693	154,823
Capital Outlay	28,891	28,078
Debt Service	57,379	59,286
Total Disbursements	7,960,559	7,815,624
Increase in Net Assets	476,922	301,108
Net Assets, Beginning of Year	2,653,396	2,352,288
Net Assets, End of Year	\$3,130,318	\$2,653,396

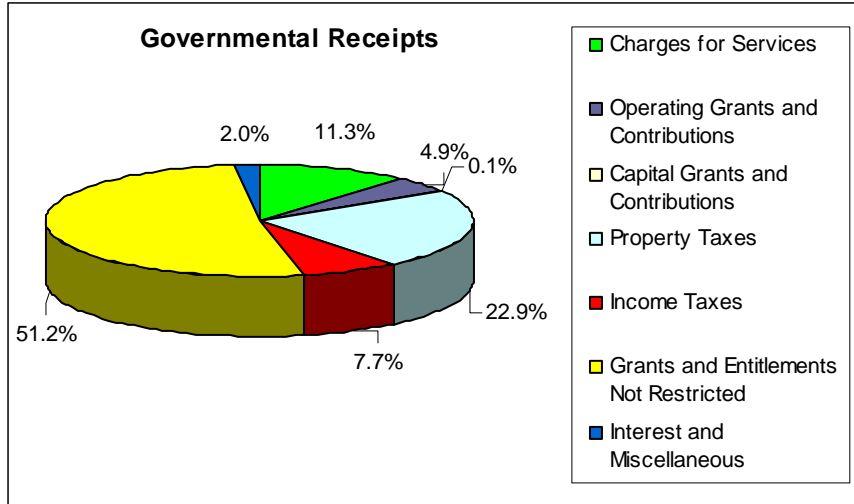
During fiscal year 2007, the School District had an 4.0% increase in revenues. Expenses also increased during fiscal year 2007; however, fiscal year revenues were able to cover the expenses without decreasing net assets. The decrease in capital grants and contributions resulted from receiving Schoolnet monies during fiscal year 2006. Schoolnet monies were not received in fiscal year 2007. Interest revenue increased 40.4% during fiscal year 2007. Contributing to the 1.9% growth in overall expenses was an increase for salaries and purchased services caused by an increase in open enrollment and special education costs (MH and ED students). In addition, health insurance premiums increased in fiscal year 2007.

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

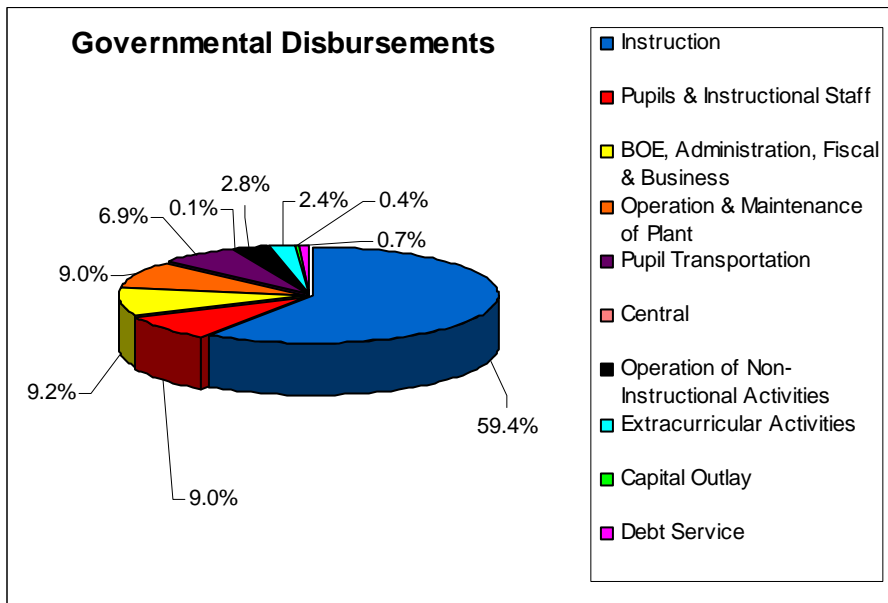
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 22.9% of receipts while income taxes add an additional 7.7% of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies.



Instruction comprises 59.4% of the School District's disbursements. Support services make up 34.2% of disbursements.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

If you look at the statement of activities on page 48, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2007</b>	<b>Net Cost of Services 2007</b>	<b>Total Cost Of Services 2006</b>	<b>Net Cost of Services 2006</b>
Instruction	\$4,731,775	(\$3,948,783)	\$4,626,382	(\$3,883,996)
<b>Support Services:</b>				
Pupils and Instructional Staff	713,527	(482,081)	715,805	(482,261)
Board of Education, Administration, Fiscal and Business	735,932	(732,123)	731,800	(731,800)
Operation and Maintenance of Plant	715,613	(705,713)	724,886	(724,886)
Pupil Transportation	551,747	(535,367)	543,815	(531,997)
Central	9,149	(7,827)	3,550	(3,550)
Operation of Non-Instructional Services	226,853	28,523	227,199	6,634
Extracurricular Activities	189,693	(118,289)	154,823	(103,070)
Capital Outlay	28,891	(28,891)	28,078	(28,078)
Debt Service	57,379	(57,379)	59,286	(59,286)
Total Disbursements	<u>\$7,960,559</u>	<u>(\$6,587,930)</u>	<u>\$7,815,624</u>	<u>(\$6,542,290)</u>

The dependence upon state foundation and property and income tax receipts is apparent as over 82.8 percent of governmental activities are supported through these general receipts.

**The School District's Funds**

Total governmental funds had receipts of \$8,423,812 and disbursements of \$7,960,559. The fund balance of the General Fund increased \$435,627. Property tax revenue in the general fund increased approximately \$44,000 and intergovernmental revenue, which is largely made up of state foundation, increased approximately \$114,000.

The fund balance of the Bond Retirement Fund increased \$10,245, as a result of receipts from property taxes exceeding debt payments. The fund balance of the Permanent Improvement Fund decreased \$1,665.

**General Fund Budgeting Highlights**

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

For the General Fund, the final budget basis revenue estimate was \$7,257,000, which was the same as the original.

During fiscal year 2007, the School District closely monitored expenditures so that expenditures were \$263,297 less than appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

The School District does not currently report its capital assets and infrastructure.

**Debt**

At June 30, 2007, the School District had a \$145,000 school improvement bond outstanding and a \$102,138 energy conservation loan outstanding. The amount due in one year for this debt was \$39,614. The school improvement bond was originally issued for \$598,950 and will be paid off in fiscal year 2012. The energy conservation loan was originally \$199,096 and will be paid off in fiscal year 2013.

**Table 5  
Outstanding Debt at June 30,**

	<u>2007</u>	<u>2006</u>
1989 School Improvement Bond	\$145,000	\$170,000
1999 Energy Conservation Loan	102,138	115,913
Total General Obligation Bonds	<u>\$247,138</u>	<u>\$285,913</u>

The School District's overall legal debt margin was \$8,067,754 the energy conservation debt margin was \$704,637 and the unvoted debt margin was \$89,642 at June 30, 2007.

For more information on the School District's debt, see Note 10 of the Basic Financial Statements.

**Current Issues**

The School District fluctuates back and forth of a break-even point historically over the past several years, but the 5-year forecast prepared in October 2007, projects a possible deficit in fiscal year 2011. The administration and the board of education continue to closely monitor State funding as there continues to be a reliance on the local taxpayer to maintain current levels of funding. This requires management to plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years.

Previously, the School District was participating in the Expedited Local Partnership Program (ELPP) of the Ohio School Facilities Commission to build a K-12 facility. Twice during fiscal year 2005, the School District asked the voters to approve a levy to provide their discrete portion of the School District's Master Plan adopted by the Ohio State Facilities Commission. However, the voters failed the levy both in November 2004 and February 2005. The State of Ohio (Ohio School Facilities Commission) has guaranteed Hardin-Houston Local Schools 60% (\$13,814,515) of the total cost of constructing a new K-12 school if the school district passes a levy in 2007-2008. The voters rejected a 6.69 mill bond issue and tax levy on November 6, 2007. Also on November 6, 2007, the voters rejected a 1.36 mills bond issue for a gym. The School District requested the voters to approve a levy on March 4, 2008, for the local share of 40% (\$9.2 million, 7.13 mills), but the levy also failed. The School District is evaluating the direction the School District would like to take next.

In conclusion, the Hardin Houston Local School District continues to be committed to financial as well as educational excellence. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Rebecca Jelley, 5300 Houston Road, Houston, OH 45333 or e-mail at [hh\\_becky@woco-k12.org](mailto:hh_becky@woco-k12.org).



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

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2007**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,130,318</u></u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Capital Projects	\$695,378
Debt Service	318,106
School Bus Purchases	45,361
Other Purposes	118,594
Unrestricted	<u>1,952,879</u>
Total Net Assets	<u><u>\$3,130,318</u></u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
<b>Governmental Activities</b>					
<b>Instruction:</b>					
Regular	\$3,219,789	\$501,937	\$38,571		(\$2,679,281)
Special	732,447	173,770	68,714		(489,963)
Vocational	81,018				(81,018)
Other	698,521				(698,521)
<b>Support Services:</b>					
Pupil	363,398	23,507	205,590		(134,301)
Instructional Staff	350,129	730	1,619		(347,780)
Board of Education	14,459				(14,459)
Administration	497,718				(497,718)
Fiscal	222,802	3,809			(218,993)
Business	953				(953)
Operation and Maintenance of Plant	715,613	9,900			(705,713)
Pupil Transportation	551,747	5,340		\$11,040	(535,367)
Central	9,149		1,322		(7,827)
Operation of Non-Instructional Services	226,853	163,993	91,383		28,523
Extracurricular Activities	189,693	68,907	2,497		(118,289)
Capital Outlay	28,891				(28,891)
Principal Retirement	38,775				(38,775)
Interest and Fiscal Charges	18,604				(18,604)
<b>Total Governmental Activities</b>	<u>\$7,960,559</u>	<u>\$951,893</u>	<u>\$409,696</u>	<u>\$11,040</u>	<u>(6,587,930)</u>
<b>General Receipts</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					1,885,408
Debt Service					43,791
Capital Outlay					
Income Taxes Levied for General Purposes					431,289
Income Taxes Levied for Capital Outlay					215,644
Grants and Entitlements not Restricted to Specific Programs					4,320,056
Interest					148,591
Miscellaneous					20,073
<b>Total General Receipts</b>					<u>7,064,852</u>
Change in Net Assets					476,922
Net Assets Beginning of Year					<u>2,653,396</u>
Net Assets End of Year					<u>\$3,130,318</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,952,879	\$318,106	\$695,378	\$118,594	\$3,084,957
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	45,361				45,361
Total Assets	<u>1,998,240</u>	<u>318,106</u>	<u>695,378</u>	<u>118,594</u>	<u>3,130,318</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	33,088		119,900	1,317	154,305
Reserved for Bus Purchases	45,361				45,361
Designated for Budget Stabilization	38,784				38,784
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	1,881,007				1,881,007
Special Revenue Funds				117,277	117,277
Debt Service Fund		318,106			318,106
Capital Projects Fund			575,478		575,478
Total Fund Balances	<u>\$1,998,240</u>	<u>\$318,106</u>	<u>\$695,378</u>	<u>\$118,594</u>	<u>\$3,130,318</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>					
Property Taxes	\$1,885,408	\$43,791			\$1,929,199
Income Taxes	431,289		\$215,644		646,933
Intergovernmental	4,326,719	4,377		\$404,632	4,735,728
Interest	146,471		2,120		148,591
Tuition and Fees	681,047				681,047
Extracurricular Activities				93,144	93,144
Charges for Services				163,993	163,993
Miscellaneous	20,113			5,064	25,177
Total Receipts	<u>7,491,047</u>	<u>48,168</u>	<u>217,764</u>	<u>666,833</u>	<u>8,423,812</u>
<b>Disbursements</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,109,975		62,447	47,367	3,219,789
Special	663,763		2,427	66,257	732,447
Vocational	81,018				81,018
Other	698,521				698,521
<b>Support Services:</b>					
Pupil	131,777			231,621	363,398
Instructional Staff	347,596			2,533	350,129
Board of Education	14,459				14,459
Administration	497,718				497,718
Fiscal	218,400	914	3,488		222,802
Business	953				953
Operation and Maintenance of Plant	572,674		132,780	10,159	715,613
Pupil Transportation	543,307		8,440		551,747
Central	7,811			1,338	9,149
Operation of Non-Instructional Services				226,853	226,853
Extracurricular Activities	131,606			58,087	189,693
Capital Outlay	19,044		9,847		28,891
<b>Debt Service:</b>					
Principal Retirement	13,775	25,000			38,775
Interest and Fiscal Charges	6,595	12,009			18,604
Total Disbursements	<u>7,058,992</u>	<u>37,923</u>	<u>219,429</u>	<u>644,215</u>	<u>7,960,559</u>
Excess of Receipts Over (Under) Disbursements	<u>432,055</u>	<u>10,245</u>	<u>(1,665)</u>	<u>22,618</u>	<u>463,253</u>
<b>Other Financing Sources</b>					
Refund of Prior Year Expenditures	2,816			10,097	12,913
Proceeds from Sale of Assets	756				756
Total Other Financing Sources	<u>3,572</u>			<u>10,097</u>	<u>13,669</u>
Net Change in Fund Balances	435,627	10,245	(1,665)	32,715	476,922
Fund Balances Beginning of Year	<u>1,562,613</u>	<u>307,861</u>	<u>697,043</u>	<u>85,879</u>	<u>2,653,396</u>
Fund Balances End of Year	<u>\$1,998,240</u>	<u>\$318,106</u>	<u>\$695,378</u>	<u>\$118,594</u>	<u>\$3,130,318</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts:</b>				
Property Taxes	\$1,857,000	\$1,857,000	\$1,885,408	\$28,408
Income Taxes	421,000	421,000	431,289	10,289
Intergovernmental	4,218,300	4,218,300	4,326,719	108,419
Interest	110,000	110,000	146,471	36,471
Tuition and Fees	627,700	627,700	681,047	53,347
Miscellaneous	18,000	18,000	20,113	2,113
Total Receipts	<u>7,252,000</u>	<u>7,252,000</u>	<u>7,491,047</u>	<u>239,047</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,173,137	3,173,137	3,114,684	58,453
Special	698,345	768,345	667,970	100,375
Vocational	80,486	82,486	81,018	1,468
Other	685,300	715,300	699,120	16,180
<b>Support Services:</b>				
Pupils	146,587	143,587	132,278	11,309
Instructional Staff	341,922	348,422	347,843	579
Board of Education	15,150	15,150	14,459	691
Administration	498,902	503,902	501,575	2,327
Fiscal	233,462	233,462	220,475	12,987
Business	1,000	1,000	953	47
Operation and Maintenance of Plant	561,329	586,329	577,720	8,609
Pupil Transportation	569,645	569,645	543,760	25,885
Central	11,005	11,005	9,111	1,894
Extracurricular Activities	133,011	138,211	131,605	6,606
Capital Outlay	10,000	45,000	29,143	15,857
<b>Debt Service:</b>				
Principal Retirement	13,800	13,800	13,775	25
Interest and Fiscal Charges	6,600	6,600	6,595	5
Total Disbursements	<u>7,179,681</u>	<u>7,355,381</u>	<u>7,092,084</u>	<u>263,297</u>
Excess of Receipts Over (Under) Disbursements	<u>72,319</u>	<u>(103,381)</u>	<u>398,963</u>	<u>502,344</u>
<b>Other Financing Sources:</b>				
Refund of Prior Year Expenditure	5,000	5,000	2,816	(2,184)
Proceeds from Sale of Capital Assets			756	756
Total Other Financing Sources	<u>5,000</u>	<u>5,000</u>	<u>3,572</u>	<u>(1,428)</u>
Net Change in Fund Balances	77,319	(98,381)	402,535	500,916
Fund Balance at Beginning of Year	1,538,522	1,538,522	1,538,522	
Prior Year Encumbrances Appropriated	24,092	24,092	24,092	
Fund Balance at End of Year	<u>\$1,639,933</u>	<u>\$1,464,233</u>	<u>\$1,965,149</u>	<u>\$500,916</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2007**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,267	\$29,337
<b>Net Assets</b>		
Restricted for Students		29,337
Held in Trust for Scholarships	2,267	
Total Net Assets	\$2,267	\$29,337

*See accompanying notes to the basic financial statements.*

HARDIN-HOUSTON LOCSL SCHOOL DISTRICT  
SHELBY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Miscellaneous	\$1,500
<b>Deductions</b>	
Scholarships	<u>1,500</u>
Change in Net Assets	
Net Assets - Beginning of Year	<u>2,267</u>
Net Assets - End of Year	<u><u>\$2,267</u></u>

*See accompanying notes to the basic financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**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 43 non-certificated employees, 57 certificated full-time teaching personnel and 4 administrative employees who provide services to 910 students and other community members. The School District currently operates two 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 three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 12 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**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. In the government-side financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets 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 assets 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.

**2. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**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.

**1. 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 Debt Service Fund** – The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

**Permanent Improvement Capital Projects Fund** – The Permanent Improvement Capital Projects Fund accounts for a voted income tax levy to be used for the acquisition, construction, or improvement of capital facilities.

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

**2. 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.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the School District are described in the appropriate section in this note.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

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 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 and the Bond Retirement Debt Service Fund. The legal level of control for these two funds is at the two digit function 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".

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 with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

During fiscal year 2007, the School District did not have any investments.

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 2007 was \$146,471, which included \$53,906 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 Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension 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.

**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 an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**L. Net Assets**

Net assets are 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 assets 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 assets are available. The School District did not have net assets restricted by enabling legislation at June 30, 2007.

**M. Fund Balance Reserves and Designations**

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the School District's intentions and is subject to change. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and bus purchases. A fund designation has been established for budget stabilization.

**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.

**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 Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis 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 the cash basis is outstanding year-end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to:

General Fund	\$33,088
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**HARDIN-HOUSTON LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**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 or Ohio local governments;
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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

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

**A. Deposits**

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 be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$3,161,922. At fiscal year end, \$318,925 of the bank balance of \$3,361,556 was covered by federal depository insurance.

\$3,042,631 of the School District's bank balance of \$3,361,566 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**B. Investments**

The School District did not have any investments at fiscal year-end.

**Interest Rate Risk** - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

**Credit Risk** – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

**Concentration of Credit Risk** - The School District places no limits on the amount the School District may invest in any one issuer.

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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 receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. The tangible personal property tax is being phased out. Tangible personal property is assessed at 12.5 percent of true value for tax year 2007. This will be reduced to 6.25 percent for tax year 2008 and 0 percent for tax year 2009.

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

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2007 taxes were collected are:

	<b>2006 Second- Half Collections</b>		<b>2007 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$68,386,160	80.57%	\$75,647,550	84.39%
Public Utility Personal	5,683,080	6.70%	6,026,960	6.72%
Tangible Personal Property	10,809,651	12.73%	7,967,200	8.89%
<b>Total</b>	<b>\$84,878,891</b>	<b>100.00%</b>	<b>\$89,641,710</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$28.00		\$28.00	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**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.

**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 2007, the School District joined together with other school districts in Ohio to participate in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (See Note 12). The School District contracts with Marsh Insurance Company through the Southwestern Ohio Educational Purchasing Council.

Coverage provided is as follows:

Building (\$1,000 deductible)	\$13,133,177
Contents (\$1,000 deductible)	4,610,894
Flood & Earthquake per occurrence/aggregate	4,000,000
EDP Equipment	10,000,000
Business Interruption	500,000
Automobile Liability (per occurrence)	1,000,000
Employee Benefits Liability:	
Per occurrence	1,000,000
Aggregate per member	3,000,000
General Liability	
Each Occurrence	1,000,000
Aggregate per Member	3,000,000
Employer's Liability – Stop Gap Coverage	
Per Occurrence	1,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). 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.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on the SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$94,359, \$84,473, and \$97,320 respectively; 46 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (800) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB plan.

Contributions to the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation.

Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into member’s accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit.

The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

Eligible faculty of Ohio's public colleges and universities may choose to enroll in STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$385,599, \$378,229, and \$372,290 and respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC & Combined plans for fiscal year 2007 were \$3,084 made by the School District and \$3,197 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, two members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care costs in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal years ended June 30, 2007, and June 20, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$29,661 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease from 3.42 percent in fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of the School District's salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$42,191.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Net health care costs for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has 59,492 participants currently receiving health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**10. DEBT**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<b>Amount Outstanding 6/30/2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Amount Outstanding 6/30/2007</b>	<b>Amount Due in One Year</b>
<b>Governmental Activities</b>					
School Improvement					
Bonds 1989 7.625%	\$170,000		(\$25,000)	\$145,000	\$25,000
Energy Conservation					
Loan 1999 5.95%	115,913		(13,775)	102,138	14,614
Total Governmental Activities					
Long-Term Liabilities	<u>\$285,913</u>	<u>\$0</u>	<u>(\$38,775)</u>	<u>\$247,138</u>	<u>\$39,614</u>

The School Improvement Bonds were issued October 1, 1988, for \$598,950. The unvoted general obligation bonds were issued for the purpose of school improvements. The bonds will mature December 1, 2011, and will be retired from the Bond Retirement Debt Service Fund. The Energy Conservation Loan was issued July 7, 1998, for \$199,096. The loan was issued for the purpose of making energy conservation improvements. The loan will mature March 1, 2013, and will be retired from the General Fund.

The School District's overall legal debt margin was \$8,067,754 the energy conservation debt margin was \$704,637 and the unvoted debt margin was \$89,642 at June 30, 2007.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2007, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>School Improvement Bonds</b>		<b>Energy Conservation Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2008	\$25,000	\$10,103	\$14,614	\$5,756
2009	30,000	7,961	15,502	4,867
2010	30,000	5,642	16,446	3,924
2011	30,000	3,385	17,447	2,923
2012	30,000	1,128	18,508	1,862
2013			19,621	736
Total	<u>\$145,000</u>	<u>\$28,219</u>	<u>\$102,138</u>	<u>\$20,068</u>

**11. 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 purchase of textbooks and other instructional materials, and an equal amount 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. In prior years, the School District was also required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, and capital improvements during fiscal year 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**11. SET-ASIDE REQUIREMENTS (Continued)**

	<b>Textbooks and Instructional Material</b>	<b>Capital Acquisitions</b>
Set-aside Reserve Balance as of June 30, 2006	(\$120,052)	(\$396,913)
Current Year Set-aside Requirement	133,225	133,225
Qualifying Disbursements	(124,153)	
Current Year Offsets		(215,644)
Set-aside Balances Carried Forward to Future Fiscal Years	(\$110,980)	(\$479,332)

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements and textbooks amounts below zero. These extra amounts of offsets may be used to reduce the set-aside requirements in future fiscal years.

**12. 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. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative from the fiscal agent. The School District paid WOCO \$24,399 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 125 school districts in 18 counties. 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 2007, the School District paid \$33,480 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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2007, the School District did not make any payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Medical Life Insurance Company 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. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**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 seven 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. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**13. CONTRACTUAL COMMITMENTS**

At June 30, 2007, the School District had \$119,000 in outstanding purchase orders with Kinetico for the removal of arsenic from the School District's water. In addition, the School District had an outstanding purchase order with Freytag & Associates, Inc. for architectural services with a balance of \$10,099 at June 30, 2007.

**14. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**15. SUBSEQUENT EVENT**

On November 6, 2007, a 6.69 mills bond issue and tax levy was rejected by the voters of the School District. In addition, a 1.36 mills bond issue for a gym was rejected by the voters.

On March 4, 2007, a 7.13 mills bond issue and tax levy for was rejected by the voters of the School District. The levy amount was \$9,209,676.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin-Houston Local School District, Shelby County, (the District) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2009, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting  
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the District's management in a separate letter dated March 27, 2009.

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

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 27, 2009

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

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**SIGNIFICANT DEFICIENCY**

**Basketball Ticket Sales**

Records of athletic gate admissions maintained by the Athletic Director noted numerous variances between actual collections and the expected collections based on the number of tickets sold. For all of the games the actual revenue collected for ticket sales exceeded the amount that would be expected based on the physical ticket sales per the Athletic Director's worksheet. The Athletic Director stated that excess revenue is due to not issuing a ticket to every individual who pays. Further review of the pre numbered ticket numbers issued for game admissions indicated that there were gaps in ticket numbers unaccounted for on the Athletic Director's worksheet.

Failure of the District personnel to follow up on the discrepancies of cash collections noted on the game ticket sheets is a lack of control over the receipt process and potentially misstatement of athletic revenue on the financial statement. The Athletic Director or a District employee independent of the gate worker receiving the cash should review the ticket accountability sheets and follow up on all unexplained variances in cash receipts.

It was also noted in FY07 that presale tickets were sold at a discounted rate. This discounted rate was determined by the Athletic Department and was not approved by the Board. The District is required to follow the ticket admission rates established by the county conference.

During the process of further investigating the discrepancies over basketball gate sales, the District identified through their own procedures that questionable activity was occurring. The potential fraud was turned over to the Shelby County Sheriff's Department which led to an indictment of one count of theft against an individual who formerly sold tickets at the door.

**Client Response:**

During the FY07/FY08 audit it was brought to my attention of the overages in the basketball gate receipts and the discrepancy in ticket accountability. This led to an immediate investigation into the situation to avoid any discrepancy in the current FY09. We required ticket accountability to be handled exactly as suggested by audit staff for FY09. Also, for FY09 my staff and I reviewed the athletic director's gate records following each event and it was in FY09 that shortages began to appear. We then implemented additional controls and began verifying the controls that were currently being used by the athletic department. We added multiple gate workers, verification of the beginning cash drawer, ticket numbers, etc. The use of the established internal control will prevent further discrepancies.





**Mary Taylor, CPA**  
Auditor of State

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MAY 7, 2009**