



**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Hardin Northern Local School District
Hardin County
11589 State Route 81
Dola, Ohio 45835

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

April 18, 2001

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**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$507,806	\$124,623	\$66,137
Receivables:			
Property Taxes	872,680		60,938
Income Taxes	131,361		
Accounts	12,689	85	
Intergovernmental		179	
Interfund			3,982
Inventory Held for Resale			
Materials and Supplies Inventory			
Prepaid Items	32,291	502	
Restrict Assets:			
Equity in Pooled Cash and Cash Equivalents	110,258		
Fixed Assets (net, where applicable, of accumulated depreciation)			
Other Debits:			
Amount to be Provided from General Governmental Resources			
Total Assets and Other Debits	\$1,667,085	\$125,389	\$131,057
Liabilities, Fund Equity, and Other Credits:			
Liabilities:			
Accounts Payable	\$20,389	\$3,937	\$6,060
Contracts Payable	3,930		
Accrued Wages and Benefits	205,103	9,531	
Compensated Absences Payable	27,907		
Intergovernmental Payable	66,634	1,936	2,105
Interfund Payable	3,982		
Deferred Revenue	838,876		58,192
Due to Students			
Accrued Interest Payable			726
Notes Payable			175,000
Energy Conservation Loan Payable			
Total Liabilities	1,166,821	15,404	242,083
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Contributed Capital			
Fund Balance:			
Reserved for Property Taxes	33,804		2,746
Reserved for Textbooks	68,400		
Reserved for Budget Stabilization	41,858		
Reserved for Encumbrances	112,156	5,107	10,255
Designated for Capital Improvements	25,164		
Unreserved, Undesignated (Deficit)	218,882	104,878	(124,027)
Total Fund Equity (Deficit) and Other Credits	500,264	109,985	(111,026)
Total Liabilities, Fund Equity, and Other Credits	\$1,667,085	\$125,389	\$131,057

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$4,375	\$29,482			\$732,423
				933,618
				131,361
108				12,882
				179
				3,982
2,330				2,330
233				233
1,537				34,330
				110,258
24,575		\$3,390,443		3,415,018
			\$272,905	272,905
<u>\$33,158</u>	<u>\$29,482</u>	<u>\$3,390,443</u>	<u>\$272,905</u>	<u>\$5,649,519</u>
				30,386
				3,930
9,476				224,110
3,222			239,309	270,438
3,764			32,404	106,843
				3,982
2,011				899,079
	22,632			22,632
				726
				175,000
			1,192	1,192
<u>18,473</u>	<u>22,632</u>		<u>272,905</u>	<u>1,738,318</u>
		3,390,443		3,390,443
5,590				5,590
9,095				9,095
				36,550
				68,400
				41,858
				127,518
				25,164
	6,850			206,583
<u>14,685</u>	<u>6,850</u>	<u>3,390,443</u>		<u>3,911,201</u>
<u>\$33,158</u>	<u>\$29,482</u>	<u>\$3,390,443</u>	<u>\$272,905</u>	<u>\$5,649,519</u>

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:					
Property Taxes	\$854,998		\$73,181		\$928,179
Income Taxes	434,912				434,912
Intergovernmental	1,847,700	208,591	49,801		2,106,092
Interest	51,000	62		319	51,381
Tuition and Fees	14,398				14,398
Extracurricular Activities	25	60,839			60,864
Gifts and Donations				150	150
Miscellaneous	25,234	4,672			29,906
Total Revenues	<u>3,228,267</u>	<u>274,164</u>	<u>122,982</u>	<u>469</u>	<u>3,625,882</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,354,300	40,332	3,953		1,398,585
Special	129,307	73,164			202,471
Vocational	176,354	3,070			179,424
Support Services:					
Pupils	107,582	151			107,733
Instructional Staff	161,154	19,905	3,086		184,145
Board of Education	22,697				22,697
Administration	537,733	13,497		238	551,468
Fiscal	148,076	2,158	1,809		152,043
Operation and Maintenance of Plant	349,467				349,467
Pupil Transportation	146,714		5,570		152,284
Central	717	520			1,237
Extracurricular Activities	92,366	51,022		121	143,509
Capital Outlay	5,047		50,032		55,079
Debt Service:					
Principal Retirement	14,327				14,327
Interest and Fiscal Charges			9,717		9,717
Total Expenditures	<u>3,245,841</u>	<u>203,819</u>	<u>74,167</u>	<u>359</u>	<u>3,524,186</u>
Excess of Revenues Over (Under) Expenditures	<u>(17,574)</u>	<u>70,345</u>	<u>48,815</u>	<u>110</u>	<u>101,696</u>
Other Financing Sources (Uses):					
Operating Transfers In	11,125		11,930		23,055
Operating Transfers Out	(11,930)	(1,113)	(10,012)		(23,055)
Total Other Financing Sources (Uses)	<u>(805)</u>	<u>(1,113)</u>	<u>1,918</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(18,379)</u>	<u>69,232</u>	<u>50,733</u>	<u>110</u>	<u>101,696</u>
Fund Balances (Deficit) at Beginning of Year	518,643	40,753	(161,759)	6,740	404,377
Fund Balances (Deficit) at End of Year	<u>\$500,264</u>	<u>\$109,985</u>	<u>(\$111,026)</u>	<u>\$6,850</u>	<u>\$506,073</u>

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

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**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$933,482	\$886,320	(\$47,162)			
Income Taxes	429,568	429,568				
Intergovernmental	1,850,440	1,849,215	(1,225)	\$225,711	\$208,591	(\$17,120)
Interest	50,000	51,000	1,000	120	62	(58)
Tuition and Fees	14,647	13,391	(1,256)			
Extracurricular Activities	25	25		60,810	60,735	(75)
Gifts and Donations						
Miscellaneous	7,230	1,752	(5,478)	9,500	4,587	(4,913)
Total Revenues	<u>3,285,392</u>	<u>3,231,271</u>	<u>(54,121)</u>	<u>296,141</u>	<u>273,975</u>	<u>(22,166)</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,528,870	1,385,079	143,791	55,748	42,082	13,666
Special	156,723	137,794	18,929	94,763	76,651	18,112
Vocational	166,963	179,272	(12,309)	2,942	3,300	(358)
Support Services:						
Pupils	109,724	110,117	(393)	2,232	232	2,000
Instructional Staff	167,697	164,784	2,913	21,523	19,515	2,008
Board of Education	26,276	25,234	1,042			
Administration	528,969	518,194	10,775	57,870	13,538	44,332
Fiscal	172,903	199,079	(26,176)	2,245	2,119	126
Operation and Maintenance of Plant	407,706	399,605	8,101			
Pupil Transportation	212,512	146,834	65,678			
Central	1,150	717	433	1,000	520	480
Extracurricular Activities	88,942	90,424	(1,482)	72,903	54,508	18,395
Capital Outlay	82,000	6,147	75,853			
Debt Service:						
Principal Retirement	14,327	14,327				
Interest and Fiscal Charges						
Total Expenditures	<u>3,664,762</u>	<u>3,377,607</u>	<u>287,155</u>	<u>311,226</u>	<u>212,465</u>	<u>98,761</u>
Excess of Revenues Over (Under) Expenditures	<u>(379,370)</u>	<u>(146,336)</u>	<u>233,034</u>	<u>(15,085)</u>	<u>61,510</u>	<u>76,595</u>
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	14,831	11,878	(2,953)			
Operating Transfers In	11,125	11,125				
Operating Transfers Out	(11,930)	(11,930)		(1,113)	(1,113)	
Advances In	27,384	27,384				
Advances Out						
Total Other Financing Sources (Uses)	<u>41,410</u>	<u>38,457</u>	<u>(2,953)</u>	<u>(1,113)</u>	<u>(1,113)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(337,960)</u>	<u>(107,879)</u>	<u>230,081</u>	<u>(16,198)</u>	<u>60,397</u>	<u>76,595</u>
Fund Balances at Beginning of Year	519,506	519,506		42,920	42,920	
Prior Year Encumbrances Appropriated	62,554	62,554		12,691	12,691	
Fund Balances at End of Year	<u>\$244,100</u>	<u>\$474,181</u>	<u>\$230,081</u>	<u>\$39,413</u>	<u>\$116,008</u>	<u>\$76,595</u>

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

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$70,957	\$71,101	\$144			
			52,869	49,801	(3,068)	\$319	\$319	
						100	150	\$50
			123,826	120,902	(2,924)	419	469	50
			27,583	13,622	13,961			
			2,073	3,086	(1,013)			
						238	238	
			2,000	1,809	191			
			66,253	62,138	4,115			
						314	121	193
			10,000		10,000			
\$25,000	\$25,000							
9,656	9,821	(\$165)						
34,656	34,821	(165)	107,909	80,655	27,254	552	359	193
(34,656)	(34,821)	(165)	15,917	40,247	24,330	(133)	110	243
36,000	34,821	(1,179)	11,930	11,930				
			(45,248)	(44,833)	415			
			(27,384)	(27,384)				
36,000	34,821	(1,179)	(60,702)	(60,287)	415			
1,344		(1,344)	(44,785)	(20,040)	24,745	(133)	110	243
			26,408	26,408		6,740	6,740	
			41,513	41,513				
\$1,344	\$0	(\$1,344)	\$23,136	\$47,881	\$24,745	\$6,607	\$6,850	\$243

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

Operating Revenues:	
Sales	<u>\$135,363</u>
Operating Expenses:	
Salaries	60,295
Fringe Benefits	24,338
Purchased Services	3,195
Materials and Supplies	7,854
Cost of Sales	86,842
Depreciation	2,214
Other Operating Expenses	83
Total Operating Expenses	<u>184,821</u>
Operating Loss	<u>(49,458)</u>
Non-Operating Revenues:	
Federal Donated Commodities	12,424
Operating Grants	30,698
Interest	199
Total Non-Operating Revenues	<u>43,321</u>
Net Loss	(6,137)
Retained Earnings at Beginning of Year	<u>11,727</u>
Retained Earnings at End of Year	<u>5,590</u>
Contributed Capital at Beginning of Year	
Contributed from Governmental Funds	<u>9,095</u>
Contributed Capital End of Year	<u>9,095</u>
Total Fund Equity at End Year	<u><u>\$14,685</u></u>

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$144,227	\$135,386	(\$8,841)
Operating Grants	33,911	35,101	1,190
Interest	199	199	
Other Revenues	325		(325)
Total Revenues	<u>178,662</u>	<u>170,686</u>	<u>(7,976)</u>
Expenses:			
Salaries	59,164	61,942	(2,778)
Fringe Benefits	26,203	26,551	(348)
Purchased Services	2,570	3,854	(1,284)
Materials and Supplies	77,251	82,575	(5,324)
Capital Outlay	500	714	(214)
Other Expenses	83	83	
Total Expenses	<u>165,771</u>	<u>175,719</u>	<u>(9,948)</u>
Excess of Revenues Over (Under) Expenses	12,891	(5,033)	(17,924)
Fund Balances at Beginning of Year	7,674	7,674	
Prior Year Encumbrances Appropriated	991	991	
Fund Balances at End of Year	<u>\$21,556</u>	<u>\$3,632</u>	<u>(\$17,924)</u>

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$135,386
Cash Payments for Salaries	(61,942)
Cash Payments for Fringe Benefits	(26,551)
Cash Payments to Suppliers for Goods and Services	(86,400)
Cash Payments for Other Expenses	(83)
Net Cash Used for Operating Activities	<u>(39,590)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	<u>35,101</u>
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>199</u>
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Net Decrease in Cash and Cash Equivalents	(4,290)
Cash and Cash Equivalents at Beginning of Year	<u>8,665</u>
Cash and Cash Equivalents at End of Year	<u><u>\$4,375</u></u>

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(\$49,458)
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Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities:

Depreciation	2,214
Donated Commodities Used During Year	12,424
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	23
Decrease in Inventory Held for Resale	57
Decrease in Materials and Supplies Inventory	13
Increase in Prepaid Items	(174)
Decrease in Accounts Payable	(1,003)
Decrease in Accrued Wages and Benefits	(1,181)
Increase in Compensated Absences Payable	87
Decrease in Intergovernmental Payable	<u>(2,592)</u>
Net Cash Used for Operating Activities	<u><u>(\$39,590)</u></u>

Non-Cash Capital Transactions:

During fiscal year 2000, the General Fund purchased fixed assets, in the amount of \$9,095, and donated them to the Food Service enterprise fund.

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Hardin Northern 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 consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District is the 586th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by twenty classified employees, forty-two certified teaching personnel, and three administrative employees who provide services to five hundred eighty students and other community members. The School District currently operates five instructional/support buildings.

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

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

The School District is associated with four jointly governed organizations, a related organization, and two insurance pools. These organizations are the Western Ohio Area Computer Organization, Apollo Career Center, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Hardin Northern Public Library, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Hardin County School Employees' Health and Welfare Benefit Plan and Trust. These organizations are discussed in Notes 19, 20, and 21 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type:

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

Enterprise Funds

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

3. Fiduciary Fund Types:

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

4. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period.

In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Hardin County Budget Commission for rate determination.

2. Estimated Resources

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

The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

3. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise funds.

4. Lapsing of Appropriations

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

D. Cash and Investments

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

During fiscal year 2000, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

The School District has allocated interest to various funds during fiscal year 2000. During the year, interest revenue was credited to the General Fund, the Athletic special revenue fund, the Scholarship expendable trust fund, and the Food Service enterprise fund. Interest revenue credited to the General Fund during the fiscal year 2000 was \$51,000, which included \$8,078 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

F. Prepaid Items

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

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization.

H. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to the enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables."

J. Compensated Absences

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

L. Contributed Capital

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance designations are established to indicate tentative plans for financial resource utilization in future periods. Unreserved, undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, textbooks, budget stabilization, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

The designation for capital improvements represents revenues set aside that exceed statutorily required amounts.

N. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development
- Literacy
- Educational Management Information System
- Disadvantaged Pupil Impact Aid
- SchoolNet Professional Development
- Textbook/Instructional Materials
- Safe School Helpline
- School Improvement Incentive
- Eisenhower
- Title I
- Title VI
- Drug Free
- Reducing Class Size
- Continuous Improvement Development

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants (Continued)

Capital Projects Funds

Classroom Facilities
School Net
Technology Equity

Reimbursable Grants

General Fund

Driver Education

Special Revenue Fund

Telecommunication

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements were 58 percent of the revenues of the School District's governmental fund types during the 2000 fiscal year.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Estimates

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

Q. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2000, the Education Management Information System special revenue fund had a deficit fund balance of \$464 which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

At June 30, 2000, the Permanent Improvement capital projects fund had a deficit fund balance of \$128,272, which was caused by the requirement to report the note liability in the fund receiving the note proceeds. The deficit will be alleviated when the notes are retired.

B. Compliance

The following accounts had expenditures/expenses in excess of appropriations for the fiscal year ended June 30, 2000. This violates Ohio Rev. Code Section 5705.41(B).

Fund Type/Fund/ Function/Object	Appropriations	Expenditures/ Expenses	Excess
General Fund			
Regular/Purchased Services	\$17,300	\$14,758	\$2,542
Regular/Capital Outlay - Replacement	10,000	8,929	1,071
Vocational/Salaries	116,403	118,459	2,056
Vocational/Fringe Benefits	29,690	31,059	1,369
Vocational/Purchased Services	8,500	14,049	5,549
Vocational/Materials and Supplies	8,230	10,306	2,076
Vocational/Capital Outlay - Replacement	4,100	5,398	1,298
Pupils/Salaries	85,590	86,421	831
Instructional Staff/Fringe Benefits	23,127	24,728	1,601
Instructional Staff/Purchased Services	12,100	29,624	17,524
Administration/Purchased Services	31,280	37,282	6,002
Administration/Other	92,569	95,742	3,173
Fiscal/Fringe Benefits	13,317	13,469	152
Fiscal/Purchased Services	13,405	67,887	54,482
Operation and Maintenance of Plant/Salaries	94,363	95,842	1,479
Operation and Maintenance of Plant/Fringe Benefits	26,131	32,266	6,135
Operation and Maintenance of Plant/Purchased Services	73,700	78,900	5,200
Operation and Maintenance of Plant/Materials and Supplies	89,800	122,295	32,495
Operation and Maintenance of Plant/Capital Outlay - Replacement	3,000	36,397	33,397
Pupil Transportation/Fringe Benefits	36,489	39,080	2,591
Pupil Transportation/Materials and Supplies	8,760	9,011	251
Extracurricular Activities/Salaries	76,917	78,501	1,584
Capital Outlay/Capital Outlay - New	\$0	\$848	\$848

(continued)

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

Fund Type/Fund/ Function/Object	Appropriations	Expenditures/ Expenses	Excess
Special Revenue Funds			
Athletic			
Extracurricular Activities/Purchased Services	25,135	26,776	1,641
Extracurricular Activities/Materials and Supplies	9,105	11,883	2,778
Extracurricular Activities/Other	3,615	4,486	871
Title VI			
Regular/Purchased Services	2,814	3,101	287
Drug Free			
Vocational/Purchased Services	576	1,979	1,403
Debt Service Fund			
Bond Retirement			
Debt Service/Interest and Fiscal Charges	9,656	9,821	165
Capital Projects Fund			
Permanent Improvement			
Instructional Staff/Materials and Supplies	0	1,013	1,013
Operation and Maintenance of Plant/Capital Outlay - Replacement	3,000	29,668	26,668
Enterprise Fund			
Food Service			
Salaries	59,164	61,942	2,778
Fringe Benefits	26,203	26,551	348
Purchased Services	200	3,854	3,654
Materials and Supplies	68,209	75,892	7,683

In November 1999 the Debt Service Bond Retirement Fund had a negative cash fund balance of \$30,236, and in August and September 1999 the Enterprise Uniform School Supplies Fund had a negative cash fund balance of \$969. Negative cash fund balances violate the requirements of Ohio Rev. Code Section 5705.10.

4. BUDGETARY BASIS OF ACCOUNTING

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise funds (GAAP basis).
4. Proceeds from and principal payments on tax anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays tax anticipation debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$18,379)	\$69,232	\$0	\$50,733
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1999, Received in Cash FY 2000	188,754	75	0	4,648
Accrued FY 2000, Not Yet Received in Cash	(173,872)	(264)	0	(6,728)
				(continued)

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	General	Special Revenue	Debt Service	Capital Projects
Expenditure Accruals:				
Accrued FY 1999, Paid in Cash FY 2000	(\$305,084)	(\$15,620)	\$0	(\$6,944)
Accrued FY 2000, Not Yet Paid in Cash	323,963	15,404	0	8,891
Prepaid Items	(6,762)	185	0	0
Note Principal Retirement	0	0	(25,000)	0
Note Interest	0	0	(9,821)	9,821
Advances In	27,384	0	0	0
Advances Out	0	0	0	(27,384)
Reallocation of Debt Activity	0	0	34,821	(34,821)
Encumbrances Outstanding at Year End (Budget Basis)	<u>(143,883)</u>	<u>(8,615)</u>	<u>0</u>	<u>(18,256)</u>
Budget Basis	<u><u>(\$107,879)</u></u>	<u><u>\$60,397</u></u>	<u><u>\$0</u></u>	<u><u>(\$20,040)</u></u>

Net Loss/Excess of Revenues Under Expenses
All Enterprise Funds

GAAP Basis	(\$6,137)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1999, Received in Cash FY 2000	4,534
Accrued FY 2000, Not Yet Received in Cash	(108)

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses All Enterprise Funds (continued)	
Expense Accruals:	
Accrued FY 1999, Paid in Cash FY 2000	(\$21,151)
Accrued FY 2000, Not Yet Paid in Cash	16,462
Inventory Held for Resale	57
Materials and Supplies Inventory	13
Prepaid Items	(174)
Depreciation Expense	2,214
Encumbrances Outstanding at Year End (Budget Basis)	(743)
Budget Basis	<u><u>(\$5,033)</u></u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

At fiscal year end, the carrying amount of the School District's deposits was \$18,512 and the bank balance was \$51,839. The entire bank balance was covered by federal depository insurance.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2000, the fair value of funds on deposit with STAR Ohio was \$824,169.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$842,681	\$0
Investments:		
STAR Ohio	(824,169)	824,169
GASB Statement No. 3	\$18,512	\$824,169

6. 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, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes for 2000 were levied after April 1, 2000, on the assessed values as of the prior January 1, 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 real and tangible personal property taxes for 2000 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes for 2000 were levied after April 1, 1999, on the value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. 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.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

6. PROPERTY TAXES (Continued)

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$33,804 in the General Fund and \$2,746 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1999, was \$61,144 in the General Fund and \$4,648 in the Permanent Improvement capital projects fund.

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

	1999 Second - Half Collections		2000 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$27,759,740	83.52%	\$35,570,760	87.05%
Public Utility	3,923,880	11.81	3,709,720	9.08
Tangible Personal	1,552,466	4.67	1,583,555	3.87
Total Assessed Value	\$33,236,086	100.00%	\$40,864,035	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.35		\$37.35	

7. INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. 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. Income tax revenue is credited to the General Fund.

8. RECEIVABLES

Receivables at June 30, 2000, consisted of both property and income taxes, accounts, intergovernmental, and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$12,882. The intergovernmental receivable in the Athletic special revenue fund, in the amount of \$179, was for a reimbursement.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

9. FIXED ASSETS

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

Furniture and Equipment	\$42,818
Less Accumulated Depreciation	<u>(18,243)</u>
Net Fixed Assets	<u><u>\$24,575</u></u>

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

	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Land and Improvements	\$150,596	\$18,076	\$0	\$168,672
Buildings and Improvements	1,864,523	30,473	0	1,894,996
Vehicles	388,310	0	0	388,310
Furniture and Equipment	874,303	64,162	0	938,465
Total General Fixed Assets	<u><u>\$3,277,732</u></u>	<u><u>\$112,711</u></u>	<u><u>\$0</u></u>	<u><u>\$3,390,443</u></u>

10. INTERFUND ASSETS/LIABILITIES

At June 30, 2000, the Permanent Improvement capital projects fund had an interfund receivable and the General Fund had an interfund payable, in the amount of \$3,982.

11. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

For fiscal year 2000, the School District contracted with The Nationwide Insurance Company for the following insurance coverages.

Buildings and Contents - replacement cost (\$1,000 deductible)	\$8,461,300
Professional Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
General Liability (\$1,000 deductible)	
Per Occurrence	2,000,000
Total per Year	5,000,000
Vehicle Liability	1,000,000
Umbrella Liability	
Per Occurrence	2,000,000
Total per Year	2,000,000

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

11. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Health Benefits

The School District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust), a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center, and the Ada Public Library. The School District pays monthly premiums to the Trust for employee life, accidental death and dismemberment, medical/surgical, dental, and vision benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$94,455, \$91,766, and \$161,341, respectively; 82 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$16,618, is recorded as a liability within the respective funds.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$25,565, \$33,977, and \$34,430, respectively; 42 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$14,718, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2000, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$125,940 for fiscal year 2000.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

13. POSTEMPLOYMENT BENEFITS (Continued)

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

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$50,631 for fiscal year 2000.

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

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to 200 days for classified employees and 210 days for certified employees. The maximum amount of days to be paid at retirement is based upon the total years of service at the time of retirement.

B. Health Care Benefits

The School District provides life, accidental death and dismemberment, medical/surgical, dental, and vision insurance to most employees through the Hardin County School Employees' Health and Welfare Benefit Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

15. NOTES PAYABLE

In fiscal year 1997, the School District issued tax anticipation notes, in the amount of \$250,000, for improving the School District's buildings. The notes were issued for a ten year period at an interest rate of 5.15 percent. Principal, in the amount of \$25,000, was retired during fiscal year 2000. The principal outstanding at June 30, 2000, was \$175,000.

Principal and interest requirements to retire the tax anticipation notes outstanding at June 30, 2000, were as follows:

Fiscal Year Ending June 30,	Amount
2001	\$33,369
2002	32,081
2003	30,794
2004	29,506
2005	28,219
2006-2007	52,575
Total	<u>\$206,544</u>

16. LONG-TERM OBLIGATIONS

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

	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Energy Conservation Loan Payable	\$15,519	\$0	\$14,327	\$1,192
Compensated Absences Payable	213,218	26,091	0	239,309
Intergovernmental Payable	31,241	32,404	31,241	32,404
Total General Long-Term Obligations	<u>\$259,978</u>	<u>\$58,495</u>	<u>\$45,568</u>	<u>\$272,905</u>

The energy conservation loan represents monies borrowed from the State for improvements to conserve energy. This is an interest free loan. The energy conservation loan is being paid from the General Fund. The loan will be paid in full in fiscal year 2001.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employee's salary is paid.

The School District's overall debt margin was \$2,816,248 with an unvoted debt margin of \$33,236 at June 30, 2000.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

17. 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 year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 1999	\$40,795	\$0	\$41,858
Current Year Set Aside Requirement	73,142	73,142	0
Current Year Offset	0	(75,507)	0
Qualifying Expenditures	(45,537)	(77,476)	0
Balance June 30, 2000	<u>\$68,400</u>	<u>0</u>	<u>\$41,858</u>

The total reserve balance for the set asides at the end of the fiscal year was \$110,258.

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$127,561	\$7,802	\$135,363
Depreciation Expense	2,214	0	2,214
Operating Income (Loss)	(50,631)	1,173	(49,458)
Federal Donated Commodities	12,424	0	12,424
Operating Grants	30,698	0	30,698
Net Income (Loss)	(\$7,310)	\$1,173	(\$6,137)
Current Contributed Capital	9,095	0	9,095
Net Working Capital	(8,593)	1,925	(6,668)
Total Assets	31,233	1,925	33,158
Total Equity	12,760	1,925	14,685
Encumbrances Outstanding at Year End (Budget Basis)	689	54	743

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

19. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Area Computer Organization

The School District is a participant in the Western Ohio Area Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools districts within each county. Financial information can be obtained from Sonny Ivey, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

B. Apollo Career Center

The Apollo Career Center is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

C. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

D. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

20. RELATED ORGANIZATION

The Hardin Northern Public Library is a distinct subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Hardin Northern Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Hardin Northern Public Library, Kay Potter, Clerk/Treasurer, 7881 County Road 95, Ada, Ohio 45810.

21. INSURANCE POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Hardin County School Employees' Health and Welfare Benefit Plan and Trust

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust) is a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center, and the Ada Public Library. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides life, accidental death and dismemberment, medical/surgical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as Director, 9525 Township Road 50, Dola, Ohio 45835.

22. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$1,849,314 of school foundation support for its General Fund.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

22. STATE SCHOOL FUNDING DECISION (Continued)

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

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

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

23. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$499,407	\$55,611	\$67,921
Receivables:			
Property Taxes	845,132		69,533
Income Taxes	126,017		
Accounts	831	75	
Intergovernmental	1,515		
Interfund	27,384		
Inventory Held for Resale			
Materials and Supplies Inventory			
Prepaid Items	25,529	687	
Restrict Assets:			
Equity in Pooled Cash and Cash Equivalents	82,653		
Fixed Assets (net, where applicable, of accumulated depreciation)			
Other Debits:			
Amount to be Provided from General Governmental Resources			
Total Assets and Other Debits	1,608,468	56,373	137,454
Liabilities, Fund Equity, and Other Credits:			
Liabilities:			
Accounts Payable	15,732	793	6,114
Contracts Payable	9,281		
Accrued Wages and Benefits	226,076	12,706	
Compensated Absences Payable	2,501		
Intergovernmental Payable	51,494	2,121	
Interfund Payable			27,384
Deferred Revenue	784,741		64,885
Due to Students			
Accrued Interest Payable			830
Notes Payable			200,000
Energy Conservation Loan Payable			
Total Liabilities	1,089,825	15,620	299,213
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balance:			
Reserved for Property Taxes	61,144		4,648
Reserved for Textbooks	40,795		
Reserved for Budget Stabilization	41,858		
Reserved for Encumbrances	51,428	11,986	35,399
Designated for Textbooks	8,121		
Designated for Capital Improvements	42,109		
Unreserved, Undesignated (Deficit)	273,188	28,767	(201,806)
Total Fund Equity (Deficit) and Other Credits	518,643	40,753	(161,759)
Total Liabilities, Fund Equity, and Other Credits	\$1,608,468	\$56,373	\$137,454

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$8,665	\$25,891			\$657,495
				914,665
				126,017
131				1,037
4,403				5,918
				27,384
2,685				2,685
246				246
1,363				27,579
				82,653
17,694		\$3,277,732		3,295,426
			\$259,978	259,978
<u>35,187</u>	<u>25,891</u>	<u>3,277,732</u>	<u>259,978</u>	<u>5,401,083</u>
1,003				23,642
				9,281
10,657				249,439
3,135			213,218	218,854
6,356			31,241	91,212
				27,384
2,309				851,935
	19,151			19,151
				830
				200,000
			15,519	15,519
<u>23,460</u>	<u>19,151</u>		<u>259,978</u>	<u>1,707,247</u>
		3,277,732		3,277,732
11,727				11,727
				65,792
				40,795
				41,858
				98,813
				8,121
				42,109
	6,740			106,889
<u>11,727</u>	<u>6,740</u>	<u>3,277,732</u>		<u>3,693,836</u>
<u>\$35,187</u>	<u>\$25,891</u>	<u>\$3,277,732</u>	<u>\$259,978</u>	<u>\$5,401,083</u>

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:					
Property Taxes	\$859,549		\$70,121		\$929,670
Income Taxes	397,094				397,094
Intergovernmental	1,893,745	118,974	394,804		2,407,523
Interest	46,311	116		311	46,738
Tuition and Fees	3,910				3,910
Extracurricular Activities	60	45,032			45,092
Gifts and Donations		50		600	650
Miscellaneous	11,026	10,086			21,112
Total Revenues	<u>3,211,695</u>	<u>174,258</u>	<u>464,925</u>	<u>911</u>	<u>3,851,789</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,268,407	5,062			1,273,469
Special	158,670	85,201			243,871
Vocational	111,582	3,182			114,764
Support Services:					
Pupils	105,372	1,541			106,913
Instructional Staff	152,136	24,203	760		177,099
Board of Education	25,817				25,817
Administration	520,240	4,733		262	525,235
Fiscal	157,495	1,715	1,986		161,196
Operation and Maintenance of Plant	509,985		6,114		516,099
Pupil Transportation	171,483				171,483
Central	1,060				1,060
Extracurricular Activities	87,222	72,195		100	159,517
Capital Outlay	133,199		408,788		541,987
Debt Service:					
Principal Retirement	14,327				14,327
Interest and Fiscal Charges			11,016		11,016
Total Expenditures	<u>3,416,995</u>	<u>197,832</u>	<u>428,664</u>	<u>362</u>	<u>4,043,853</u>
Excess of Revenues Over (Under) Expenditures	(205,300)	(23,574)	36,261	549	(192,064)
Fund Balances (Deficit) at Beginning of Year	<u>723,943</u>	<u>64,327</u>	<u>(198,020)</u>	<u>6,191</u>	<u>596,441</u>
Fund Balances (Deficit) at End of Year	<u><u>\$518,643</u></u>	<u><u>\$40,753</u></u>	<u><u>(\$161,759)</u></u>	<u><u>\$6,740</u></u>	<u><u>\$404,377</u></u>

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

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**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$856,267	\$837,423	(\$18,844)			
Income Taxes	389,980	389,980				
Intergovernmental	1,894,248	1,892,230	(2,018)	\$119,411	\$118,974	(\$437)
Interest	58,000	46,311	(11,689)	175	116	(59)
Tuition and Fees	8,852	3,982	(4,870)			
Extracurricular Activities	60	60		50,865	44,957	(5,908)
Gifts and Donations				50	50	
Miscellaneous	7,670	7,515	(155)	10,360	10,086	(274)
Total Revenues	3,215,077	3,177,501	(37,576)	180,861	174,183	(6,678)
Expenditures:						
Current:						
Instruction:						
Regular	1,372,342	1,289,493	82,849	15,503	15,503	
Special	213,849	158,836	55,013	103,728	83,659	20,069
Vocational	131,197	116,089	15,108	2,883	3,479	(596)
Support Services:						
Pupils	111,992	105,071	6,921	1,710	1,469	241
Instructional Staff	159,698	156,500	3,198	31,812	27,399	4,413
Board of Education	28,950	26,465	2,485			
Administration	563,369	534,603	28,766	6,802	6,275	527
Fiscal	185,687	167,956	17,731	1,960	1,710	250
Operation and Maintenance of Plant	630,673	542,726	87,947			
Pupil Transportation	214,510	180,748	33,762			
Central	1,200	1,060	140			
Extracurricular Activities	90,905	86,957	3,948	80,347	74,562	5,785
Capital Outlay	162,980	158,438	4,542			
Debt Service:						
Principal Retirement	14,327	14,327				
Interest and Fiscal Charges						
Total Expenditures	3,881,679	3,539,269	342,410	244,745	214,056	30,689
Excess of Revenues Over (Under) Expenditures	(666,602)	(361,768)	304,834	(63,884)	(39,873)	24,011
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	3,531	3,531				
Operating Transfers In						
Operating Transfers Out						
Advances In						
Advances Out		(27,384)	(27,384)			
Total Other Financing Sources (Uses)	3,531	(23,853)	(27,384)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(663,071)	(385,621)	277,450	(63,884)	(39,873)	24,011
Fund Balances at Beginning of Year	549,852	549,852		69,169	69,169	
Prior Year Encumbrances Appropriated	355,275	355,275		13,624	13,624	
Fund Balances at End of Year	\$242,056	\$519,506	\$277,450	\$18,909	\$42,920	\$24,011

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

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$73,542	\$73,542				
			431,670	394,804	(\$36,866)	\$320	\$311	(\$9)
						600	600	
			505,212	468,346	(36,866)	920	911	(9)
			52,509	46,821	5,688			
			1,000		1,000			
			1,828	760	1,068			
			5,033	1,986	3,047	500	262	238
			54,406	44,300	10,106			
						250	100	150
			368,662	359,180	9,482			
\$25,000	\$25,000							
11,119	11,119							
36,119	36,119		483,438	453,047	30,391	750	362	388
(36,119)	(36,119)		21,774	15,299	(6,475)	170	549	379
41,348	36,119	(\$5,229)						
5,229		(5,229)	(36,119)	(36,119)				
			27,384	27,384				
46,577	36,119	(10,458)	(8,735)	(8,735)				
10,458		(10,458)	13,039	6,564	(6,475)	170	549	379
			19,844	19,844		6,191	6,191	
\$10,458	\$0	(\$10,458)	\$32,883	\$26,408	(\$6,475)	\$6,361	\$6,740	\$379

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Operating Revenues:	
Sales	\$130,290
Other Operating Revenues	650
Total Operating Revenues	<u>130,940</u>
Operating Expenses:	
Salaries	62,306
Fringe Benefits	26,768
Purchased Services	2,535
Materials and Supplies	8,178
Cost of Sales	80,704
Depreciation	5,216
Other Operating Expenses	83
Total Operating Expenses	<u>185,790</u>
Operating Loss	<u>(54,850)</u>
Non-Operating Revenues:	
Federal Donated Commodities	10,506
Operating Grants	29,017
Interest	162
Total Non-Operating Revenues	<u>39,685</u>
Net Loss	(15,165)
Retained Earnings at Beginning of Year	<u>26,892</u>
Retained Earnings at End of Year	<u><u>\$11,727</u></u>

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$135,569	\$130,245	(\$5,324)
Operating Grants	31,250	24,614	(6,636)
Interest	147	162	15
Other Revenues	650	650	
Total Revenues	<u>167,616</u>	<u>155,671</u>	<u>(11,945)</u>
Expenses:			
Salaries	60,142	59,958	184
Fringe Benefits	28,445	26,258	2,187
Purchased Services	4,438	3,055	1,383
Materials and Supplies	81,068	77,306	3,762
Capital Outlay	5,000	3,937	1,063
Other Expenses	100	83	17
Total Expenses	<u>179,193</u>	<u>170,597</u>	<u>8,579</u>
 Excess of Revenues Under Expenses	 (11,577)	 (14,926)	 (3,349)
 Fund Balances at Beginning of Year	 21,553	 21,553	
Prior Year Encumbrances Appropriated	1,047	1,047	
Fund Balances at End of Year	<u>\$11,023</u>	<u>\$7,674</u>	<u>(\$3,349)</u>

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Increase (Decrease) in Cash and Cash Equivalents

<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$130,245
Cash Payments for Salaries	(59,958)
Cash Payments for Fringe Benefits	(26,258)
Cash Payments to Suppliers for Goods and Services	(79,807)
Cash Received from Other Revenues	650
Cash Payments for Other Expenses	<u>(83)</u>
 Net Cash Used for Operating Activities	 <u>(35,211)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Cash Received from Operating Grants	<u>24,614</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Cash Payments for Fixed Assets	<u>(3,500)</u>
 <u>Cash Flows from Investing Activities:</u>	
Cash Received from Interest	<u>162</u>
 Net Decrease in Cash and Cash Equivalents	 (13,935)
Cash and Cash Equivalents at Beginning of Year	<u>22,600</u>
Cash and Cash Equivalents at End of Year	<u><u>\$8,665</u></u>

**Reconciliation of Operating Loss to Net
Cash Used for Operating Activities:**

Operating Loss	(\$54,850)
 Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	5,216
Donated Commodities Used During Year	10,506
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(44)
Decrease in Inventory Held for Resale	62
Decrease in Materials and Supplies Inventory	40
Increase in Prepaid Items	(470)
Increase in Accounts Payable	993
Increase in Accrued Wages and Benefits	2,634
Increase in Compensated Absences Payable	325
Increase in Intergovernmental Payable	<u>377</u>
Net Cash Used for Operating Activities	<u><u>(\$35,211)</u></u>

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Hardin Northern 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 consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District is the 589th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by twenty-three classified employees, thirty-eight certified teaching personnel, and three administrative employees who provide services to five hundred fifty-two students and other community members. The School District currently operates five instructional/support buildings.

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

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

The School District is associated with three jointly governed organizations, a related organization, and two insurance pools. These organizations are the Western Ohio Area Computer Organization, Apollo Career Center, West Central Ohio Special Education Regional Resource Center, Hardin Northern Public Library, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Hardin County School Employees' Health and Welfare Benefit Plan and Trust. These organizations are discussed in Notes 19, 20, and 21 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type:

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

Enterprise Funds

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

3. Fiduciary Fund Types:

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

4. Account Groups

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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

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

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Hardin County Budget Commission for rate determination.

2. Estimated Resources

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

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise funds.

5. Lapsing of Appropriations

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

D. Cash and Investments

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

During fiscal year 1999, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year 1999 amounted to \$46,311, which includes \$8,603 assigned from other School District funds.

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

F. Prepaid Items

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

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization.

H. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to the enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables."

J. Compensated Absences

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

L. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund balance designations are established to indicate tentative plans for financial resource utilization in future periods. Unreserved, undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, textbooks, budget stabilization, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for textbooks and capital improvements represent revenues set aside that exceed statutorily required amounts.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development
- Literacy
- Educational Management Information System
- Disadvantaged Pupil Impact Aid
- Textbook/Instructional Materials
- Eisenhower
- Title I
- Title VI
- Drug Free

Capital Projects Funds

- School Net
- Technology Equity
- Emergency Building Repair

Reimbursable Grants

General Fund

- Driver Education

Special Revenue Fund

- Vocational Education Equipment

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 63 percent of the revenues of the School District's governmental fund types during the 1999 fiscal year.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 1999, the Education Management Information System special revenue fund and the Emergency Building Repair capital projects fund had deficit fund balances of \$327 and \$27,384, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At June 30, 1999, the Permanent Improvement capital projects fund had a deficit fund balance of \$146,190, which was caused by the requirement to report the note liability in the fund receiving the note proceeds. The deficit will be alleviated when the notes are retired.

B. Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 1999. This violates the requirements of Ohio Rev. Code Section 5705.10(B).

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

	Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds:			
Public School Support			
Extracurricular Activities			
Academic Oriented Activities - Other	\$5,880	\$9,785	(\$3,905)

During August 1998 the Enterprise Uniform School Supplies Fund had a negative cash fund balance of \$1,227. During January through May of 1999 the Capital Projects Emergency Building Repair Fund had a negative cash fund balance of \$27,384. Negative cash fund balances violate the requirements of Ohio Rev. Code Section 5705.10.

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise funds (GAAP basis).
4. For enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on tax anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays tax anticipation debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$205,300)	(\$23,574)	\$0	\$36,261
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1998, Received in Cash FY 1999	162,428	0	0	3,732
Accrued FY 1999, Not Yet Received in Cash	(188,754)	(75)	0	(311)
Expenditure Accruals:				
Accrued FY 1998, Paid in Cash FY 1999	(369,335)	(19,120)	0	(933)
Accrued FY 1999, Not Yet Paid in Cash	305,084	15,620	0	6,944
Prepaid Items	194	(33)	0	0
Note Principal Retirement	0	0	(25,000)	0
Note Interest	0	0	(11,119)	11,119
Advances In	0	0	0	27,384
Advances Out	(27,384)	0	0	0
Excess of Revenues Over (Under) Expenditures into Financial Statement Fund Types	0	0	36,119	(36,119)
Encumbrances Outstanding at Year End (Budget Basis)	(62,554)	(12,691)	0	(41,513)
Budget Basis	<u>(\$385,621)</u>	<u>(\$39,873)</u>	<u>\$0</u>	<u>\$6,564</u>

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses
All Enterprise Funds

GAAP Basis	(\$15,165)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1998, Received in Cash FY 1999	86
Accrued FY 1999, Not Yet Received in Cash	(4,534)
Expense Accruals:	
Accrued FY 1998, Paid in Cash FY 1999	(16,821)
Accrued FY 1999, Not Yet Paid in Cash	21,151
Inventory Held for Resale	62
Materials and Supplies Inventory	40
Prepaid Items	(470)
Acquisition of Fixed Assets	(3,500)
Depreciation Expense	5,216
Encumbrances Outstanding at Year End (Budget Basis)	(991)
Budget Basis	<u><u>(\$14,926)</u></u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments in stripped principal or interest 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$712 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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

At fiscal year end, the carrying amount of the School District's deposits was \$22,475 and the bank balance was \$99,759. The entire bank balance was covered by federal depository insurance.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 1999, the fair value of funds on deposit with STAR Ohio was \$716,961.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$740,148	\$0
Cash on Hand	(712)	0
Investments:		
STAR Ohio	(716,961)	716,961
GASB Statement No. 3	\$22,475	\$716,961

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

6. PROPERTY TAXES (Continued)

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$61,144 in the General Fund and \$4,648 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1998, was \$43,355 in the General Fund and \$3,732 in the Permanent Improvement capital projects fund.

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

	1998 Second - Half Collections		1999 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$26,690,220	83.64%	\$27,759,740	83.52%
Public Utility	3,774,490	11.83	3,923,880	11.81
Tangible Personal	1,446,450	4.53	1,552,466	4.67
Total Assessed Value	<u>\$31,911,160</u>	<u>100.00%</u>	<u>\$33,236,086</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.35		\$37.35	

7. INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. 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. Income tax revenue is credited to the General Fund.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

8. RECEIVABLES

Receivables at June 30, 1999, consisted of both property and income taxes, accounts, intergovernmental, and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$1,037. The intergovernmental receivable in the General Fund, in the amount of \$1,515, was for a reimbursement from the Western Ohio Computer Organization and in the Food Service enterprise fund, in the amount of \$4,403, was for the State and Federal Lunch Programs.

9. FIXED ASSETS

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

Furniture and Equipment	\$33,723
Less: Accumulated Depreciation	(16,029)
Net Fixed Assets	\$17,694

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

	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Land and Improvements	\$26,000	\$124,596	\$0	\$150,596
Buildings and Improvements	1,452,529	411,994	0	1,864,523
Vehicles	376,758	54,510	42,958	388,310
Furniture and Equipment	648,414	225,889	0	874,303
Total General Fixed Assets	\$2,503,701	\$816,989	\$42,958	\$3,277,732

10. INTERFUND ASSETS/LIABILITIES

At June 30, 1999, the General Fund had an interfund receivable and the Emergency Building Repair capital projects fund had an interfund payable, in the amount of \$27,384.

11. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 1999, the School District contracted with The Nationwide Insurance Company for the following insurance coverages.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

11. RISK MANAGEMENT (Continued)

Buildings and Contents - replacement cost (\$1,000 deductible)	\$8,850,600
Professional Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
General Liability (\$1,000 deductible)	
Per Occurrence	2,000,000
Total per Year	5,000,000
Vehicle Liability	1,000,000
Uninsured Motorist	1,000,000
Umbrella Liability	
Per Occurrence	2,000,000
Total per Year	2,000,000

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

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Health Benefits

The School District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust), a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center, and the Ada Public Library. The School District pays monthly premiums to the Trust for employee life, accidental death and dismemberment, medical/surgical, dental, and vision benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$91,766, \$161,341, and \$156,723, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$16,041, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.7 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$33,977, \$34,430, and \$34,748, respectively; 58 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$14,240, is recorded as a liability within the respective funds and the general long-term obligations account group.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

13. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$122,354 for fiscal year 1999.

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

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$35,311 for fiscal year 1999.

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

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days. The maximum amount of days to be paid at retirement is based upon the total years of service at the time of retirement.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

14. OTHER EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

The School District provides life, accidental death and dismemberment, medical/surgical, dental, and vision insurance to most employees through the Hardin County School Employees' Health and Welfare Benefit Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

15. NOTES PAYABLE

In fiscal year 1997, the School District issued tax anticipation notes, in the amount of \$250,000, for improving the School District's buildings. The notes were issued for a ten year period at an interest rate of 5.15 percent. Principal, in the amount of \$25,000, was retired during fiscal year 1999. The principal outstanding at June 30, 1999, was \$200,000.

Principal and interest requirements to retire the tax anticipation notes outstanding at June 30, 1999, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2000	\$34,821
2001	33,369
2002	32,081
2003	30,794
2004	29,506
2005-2007	80,794
Total	<u>\$241,365</u>

16. LONG-TERM OBLIGATIONS

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

	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/99</u>
Energy Conservation Loan Payable	\$29,846	\$0	\$14,327	\$15,519
Compensated Absences Payable	208,012	5,206	0	213,218
Intergovernmental Payable	21,526	31,241	21,526	31,241
Total General Long-Term Obligations	<u>\$259,384</u>	<u>\$36,447</u>	<u>\$35,853</u>	<u>\$259,978</u>

The energy conservation loan represents monies for improvements to conserve energy. This is an interest free loan. The energy conservation loan is being paid from the General Fund. The loan will be paid in full in fiscal year 2001.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

16. LONG-TERM OBLIGATIONS (Continued)

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employee's salary is paid.

The School District's overall debt margin was \$2,791,248 with an unvoted debt margin of \$33,236 at June 30, 1999.

Principal requirements to retire the energy conservation loan outstanding at June 30, 1999, were as follows:

Fiscal Year Ending June 30,	Amount
2000	\$14,327
2001	1,192
Total	<u>\$15,519</u>

17. RESERVATIONS OF FUND BALANCE

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 year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 1999.

	Textbooks	Capital Improvements	Budget Stabilization	Total
Balance June 30, 1998	\$0	\$0	\$17,316	\$17,316
Current Year Set Aside Requirement	49,093	49,093	24,542	122,728
Current Year Offsets	(8,131)	(49,093)	0	(57,224)
Qualifying Expenditures	(167)	0	0	(167)
Balance June 30, 1999	<u>\$40,795</u>	<u>\$0</u>	<u>\$41,858</u>	<u>\$82,653</u>

For capital improvements, the amount of the offset presented in the table is limited to the amount necessary to reduce the year end balance to zero. Although the School District may have had additional offsets or qualifying expenditures during the year, by rule, these amounts may not be used to reduce the set aside requirements of future years and are therefore not presented.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$124,114	\$6,826	\$130,940
Depreciation Expense	5,216	0	5,216
Operating Income (Loss)	(55,164)	314	(54,850)
Federal Donated Commodities	10,506	0	10,506
Operating Grants	29,017	0	29,017
Net Income (Loss)	(15,479)	314	(15,165)
Fixed Asset Additions	3,500	0	3,500
Net Working Capital	(3,584)	752	(2,832)
Total Assets	34,435	752	35,187
Total Equity	10,975	752	11,727
Encumbrances Outstanding at Year End (Budget Basis)	991	0	991

19. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Area Computer Organization

The School District is a participant in the Western Ohio Area Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools districts within each county. Financial information can be obtained from Sonny Ivey, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

B. Apollo Career Center

The Apollo Career Center is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

20. RELATED ORGANIZATION

The Hardin Northern Public Library is a distinct subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Hardin Northern Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Hardin Northern Public Library, Kay Potter, Clerk/Treasurer, 7881 Co. Rd. 95, Ada, Ohio 45810.

21. INSURANCE POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

21. INSURANCE POOLS (Continued)

B. Hardin County School Employees' Health and Welfare Benefit Plan and Trust

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust) is a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center, and the Ada Public Library. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides life, accidental death and dismemberment, medical/surgical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as Director, 9525 T.R. 50, Dola, Ohio 45835.

22. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program" which provides significant monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,755,461 in school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Court of Common Pleas declared unconstitutional.

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

23. CONTINGENCIES

A. Grants

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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

23. CONTINGENCIES(Continued)

B. Litigation

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



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Hardin Northern Local School District
Hardin County
11589 State Route 81
Dola, Ohio 45835

To the Board of Education:

We have audited the financial statements of Hardin Northern Local School District, (the District) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated April 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-10233-001, 2000-10233-002, 2000-10233-003, and 2000-10233-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 18, 2001.

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

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

Jim Petro
Auditor of State

April 18, 2001

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2000-10233-001
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Noncompliance Citation

Ohio Admin Code § 3301-92-04 (F) indicates that a school district shall be required to update its five year projection if the school district experiences a deviation of revenues or expenditures in a net amount of five percent or more from its original projections. Districts should revise the five year projections if the “bottom line” excess of revenues over expenditures exceeds the five percent limitation of this rule.

The District did not revise the five year projection for fiscal years 1999 or 2000. For fiscal year 1999, the District projected an excess of revenues over expenditures of \$613,009, but the District actual excess of revenues over expenditures was only \$323,067, approximately half of the estimated increase in fund balance projected. For fiscal year 2000, the District projected an excess of revenues over expenditures of \$783,682, but the District actual excess of revenues over expenditures was only \$40,211, significantly less than the amount projected.

The District should revise the five year projection when the excess of revenues over expenditures is more than five percent different than originally projected and should file the revised projection with the Department of Education no later than June 30.

Finding Number	2000-10233-002
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Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

During 2000, the Debt Service Bond Retirement Fund had a negative cash fund balance of \$30,236 at November 30, 1999, and the Enterprise Uniform School Supplies Fund had a negative cash fund balance of \$969 at the August 31 and September 30, 1999. During 1999, the Enterprise Uniform School Supplies Fund had a negative cash fund balance of \$1,227 at August 31, 1998, and during January 31 through May 31, 1999 the Capital Projects Emergency Building Repair Fund had a negative cash fund balance of \$27,384.

The District should implement review procedures to help assure that revenues and expenditures are within the anticipated and budgeted amounts to help assure compliance with this requirement and help prevent deficit spending.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000 AND 1999
(Continued)**

Finding Number	2000-10233-003
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Noncompliance Citation

Ohio Rev. Code Section 5705.391(B) requires school districts to prepare five year projections of revenues and expenditures as part of the spending plans. The plan is required to be submitted to the Department of Education upon the adoption of an annual appropriation measure, but no later than December 31 of any fiscal year. The Auditor of State and the Ohio Department of Education prescribe the format and content of the five year projection, which includes documenting the underlying assumptions.

The District did not include assumptions for the prediction of the five year forecast. Without inclusion of the underlying assumptions, there is nothing to support the amounts included in the five year forecast.

The District should include assumptions to support the data in the projections.

Finding Number	2000-10233-004
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Noncompliance Citation

Ohio Rev. Code Section 5705.41(B), states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. During 2000, expenditures exceeded appropriations at the legal level for: General Fund-Instructional Staff/Purchased Services by \$17,524; General Fund-Fiscal/Purchased Services by \$54,482; General Fund-Operation and Maintenance of Plant/Materials and Supplies by \$32,495; General Fund-Operation and Maintenance of Plant/Materials and Supplies by \$33,397; and the Capital Projects-Operation and Maintenance of Plant/Capital Outlay-Replacement by \$26,668. In addition, other minor violations were noted at year-end.

Failure to monitor appropriations versus expenditures could result in expenditures exceeding available resources and possibly result in deficit spending. The District should implement monitoring procedures to help assure compliance with this requirement and to help prevent deficit spending.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

HARDIN NORTHERN LOCAL SCHOOL DISTRICT

HARDIN 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 31, 2001**