

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY
Regular Audit
For the Year Ended June 30, 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

January 20, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST
Auditor of State



Mary Taylor, CPA
Auditor of State

Board of Education
Hardin Northern Local School District
11589 State Route 81
Dola, Ohio 45835-9725

We have reviewed the *Independent Accountants' Report* of the Hardin Northern Local School District, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A. C., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2011

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**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

December 13, 2010

Hardin Northern Local School District
Hardin County
11589 State Route 81
Dola, Ohio 44835-9725

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Hardin Northern Local School District, Hardin County, Ohio** (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin Northern Local School District, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of Hardin Northern Local School District's (the "School District") financial performance provides an overall view of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- Net assets of governmental activities increased \$4,705,288.
- General revenues accounted for \$4,575,501 in revenue or 46.1% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5,341,981 or 53.9% of total revenues of \$9,917,482.
- The School District had \$5,212,194 in expenses related to government activities; only \$1,161,436 of these expenses was offset by program specific charges for services and operating grants. General revenues of \$4,575,501 were adequate to provide for these programs. This year the School District also received \$4,180,545 in Capital Grants and Contributions to finance the new school facilities.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Hardin Northern Local School District, the general fund, the debt service fund and the Ohio State Classroom Facilities fund are the most significant major funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors. In the Statement of Net Assets and the Statement of Activities, the School District has only governmental activities:

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Reporting the School District as a Whole (Continued)

Statement of Net Assets and the Statement of Activities (Continued)

- Governmental Activities - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the debt service fund, and the Ohio State Classroom Facilities fund.

Governmental Funds All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted into cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2010 as compared to fiscal year 2009.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Current Assets	\$ 10,256,720	\$ 11,587,775
Capital Assets	9,001,943	2,134,841
Total Assets	<u>19,258,663</u>	<u>13,722,616</u>
Liabilities		
Current Liabilities	1,515,952	1,532,429
Long-Term Liabilities	4,512,825	3,665,589
Total Liabilities	<u>6,028,777</u>	<u>5,198,018</u>
Net Assets		
Invested in Capital	4,547,030	1,205,200
Restricted	6,178,008	7,808,850
Unrestricted (Deficit)	2,504,848	(489,452)
Total Net Assets	<u>\$ 13,229,886</u>	<u>\$ 8,524,598</u>

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The School District as a Whole (Continued)

Table 2 shows the changes in net assets for fiscal year 2010 compared to fiscal year 2009:

Table 2
Change in Net Assets

	Governmental Activities	
	2010	2009
Program Revenues:		
Charges for Services	\$ 546,664	\$ 482,908
Operating Grants and Contributions	614,772	312,998
Capital Grants and Contributions	4,180,545	4,802,858
General Revenues:		
Property Taxes	1,219,552	1,266,420
Income Taxes	816,505	774,118
Grants and Entitlements	2,452,124	2,496,127
Unrestricted Investment Earnings	53,291	144,179
Gain on Sale of Assets	11,758	1,000
Miscellaneous	22,271	27,666
Total Revenues	9,917,482	10,308,274
Expenses		
Program Expenses:		
Instruction:		
Regular	2,373,141	2,321,992
Special	433,928	417,362
Vocational	231,013	215,685
Support Services:		
Pupils	154,786	151,440
Instructional Staff	152,391	142,095
Board of Education	41,638	81,003
Administration	481,122	452,267
Fiscal	205,703	220,204
Operation of Maintenance of Plant	295,657	314,565
Pupil Transportation	234,036	221,699
Central	-	963
Operation of Non-Instructional	167,527	170,223
Extracurricular Activities	189,277	183,721
Facilities Acquisition Construction	90,798	123,631
Interest and Fiscal Charges	161,177	164,993

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Total Expenses	5,212,194	5,181,843	
Increase in Net Assets	\$ 4,705,288	\$ 5,126,431	

Governmental Activities

The net assets of the School District's governmental activities increased by \$4,705,288, however, \$4,180,545 was received in the form of a capital grant for new renovation and construction. Program revenue of \$5,341,981 and general revenues of \$4,575,501 offset total governmental expenses of \$5,212,194. Program revenues supported only 22.3% of the total governmental expenses without the Classroom Facilities Grant.

Several revenue sources fund the School District's governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated \$1,219,552 in fiscal year 2010. General revenues from grants and entitlements, such as the school foundation program, generated \$2,452,124. These two revenue sources represent 64.0% of total governmental revenue excluding the Capital Grants and Contributions of \$4,180,545.

Real estate property is reappraised every six years. Hardin County had its triennial update in calendar year 2006. Although historical growth has had a positive effect on the School District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage", the tax rates applied to real property. Thus, although the School District tax valuation continues to grow, this built-in revenue limitation requires the School District to request additional school operating revenue by placing a levy on the ballot every three to five years, on average.

The DeRolph III court case decisions have not eliminated the local dependence on property taxes. This factor continues to be a situation the School District has to deal with in providing funding for the program offering of the School District.

The Statement of Activities shows the cost of program services and the charges for services and grants attributable to those services. Instruction costs comprise 58.3% of governmental program expenses.

The School District's Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$10,716,119 and total expenditures were \$12,191,808. The School District expenditures exceeded the revenues by \$1,475,689 because of the construction and renovation of the new school facilities.

The School District's general fund balance increased by \$160,252. The increase from last year can be attributed primarily to the overall decrease in overall expenditures.

General Fund Budgeting Highlights

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

During fiscal year 2010, the School District amended its general fund balance. Budget revisions are presented to the Board of Education for approval. This year amendments were considered routine.

For the general fund, the final budget basis revenue estimate was \$4,538,561, which was higher than the original revenue estimate of \$4,380,059. Actual revenue on the budget basis was \$4,535,115.

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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The original expenditures estimate of \$4,553,854 was increased only to \$4,554,588. The actual expenditures were \$4,424,022.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had 9,001,943 invested in land, buildings, equipment and vehicles, net of \$3,583,774 of accumulated depreciation. The table below shows a comparison of fiscal year 2010 to 2009.

Capital Assets (Net of Depreciation)	Governmental Type Activities	
	2010	2009
Land	\$ 20,000	\$ 20,000
Land Improvements	72,420	86,265
Building and Improvements	8,551,610	1,708,929
Furniture and Equipment	250,003	191,611
School Buses and Vehicles	107,910	128,036
Total Capital Assets	\$ 9,001,943	\$ 2,134,841

Long Term Liabilities

As of June 30, 2010, the School District has \$4,512,825 in long-term liabilities. School Improvement Bonds, a capital lease and vested compensated absences are the only long-term liabilities with \$91,172 due within one year. Table 4 summarizes long-term liabilities that show a comparison to fiscal year 2009.

Table 4

Long Term Liabilities at Fiscal Year End	Governmental	Governmental
	Activities	Activities
	2010	2009
School Improvement Bonds, 4.46%, Mature 2036	\$ 3,470,000	\$ 3,545,000
Capital Lease Payable	923,180	-
Compensated Absences Payable (Vested Severance)	119,645	120,589
Total	\$ 4,512,825	\$ 3,665,589

The School District faces many challenges in the future. As the preceding information shows, the School District relies heavily upon grants and entitlements and property taxes. Another challenge facing the School District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward schools districts with little property tax wealth. On December 11, 2003, the Ohio Supreme Court issued an opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. Since then, the Ohio Supreme Court has relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school-funding plan that is thorough and efficient. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Due to the unsettled issues in Ohio public school funding, district management is required to plan carefully and

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

prudently to provide the resources to meet student needs in the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and show the School District's accountability for the money it receives. If you have any questions about this report or need financial information contact Mr. Wes Potter, Treasurer of Hardin Northern Local

Hardin Northern Local School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,351,668
Cash With Fiscal Agents	361
Receivables:	
Property Taxes	1,132,341
Intergovernmental	138,885
Income Tax	407,781
Accrued Interest Receivable	4,168
Prepaid Items	56,235
Inventory Held for Resale	1,038
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	164,243
Land	20,000
Capital Assets, Net of Depreciation	8,981,943
 Total Assets	 19,258,663
 <u>Liabilities:</u>	
Accounts Payable	35,391
Accrued Wages	398,783
Intergovernmental Payable	110,844
Accrued Interest Payable	12,610
Deferred Revenue	958,324
Long-Term Liabilities	
Due within One Year	91,172
Due in More than One Year	4,421,653
 Total Liabilities	 6,028,777
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	4,547,030
Restricted for:	
Debt Service	109,693
Capital Projects	2,328,874
Other Purposes	3,739,441
Unrestricted (Deficit)	2,504,848
 Total Net Assets	 \$ 13,229,886

See accompanying notes to the basis financial statements.

Hardin Northern Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government:					
Governmental Activities:					
Instruction:					
Regular	\$ 2,373,141	\$ 403,419	\$ 216,489	\$ 2,564	\$ (1,750,669)
Special	433,928	52,927	182,119	-	(198,882)
Vocational	231,013	-	1,359	-	(229,654)
Support Services:					
Pupils	154,786	-	-	-	(154,786)
Instructional Staff	152,391	-	114,068	-	(38,323)
Board of Education	41,638	-	-	-	(41,638)
Administration	481,122	-	5,600	-	(475,522)
Fiscal	205,703	-	-	1,166	(204,537)
Operation and Maintenance	295,657	-	17,464	19,583	(258,610)
Pupil Transportation	234,036	-	-	-	(234,036)
Operation of Non-Instructional	167,527	90,318	77,673	-	464
Extracurricular Activities	189,277	-	-	-	(189,277)
Facilities and Acquisition and Construction Services	90,798	-	-	4,157,232	4,066,434
Interest and Fiscal Charges	161,177	-	-	-	(161,177)
	5,212,194	546,664	614,772	4,180,545	129,787
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					904,670
Property Taxes, Levied for Special Revenue Purposes					17,901
Property Taxes, Levied for Debt Service Retirement					192,643
Property Taxes, Levied for Capital Projects					104,338
Income Taxes, Levied for General Purposes					816,505
Grants and Entitlements not Restricted to Specific Purposes					2,452,124
Unrestricted Investment Earnings					53,291
Gain on Sales of Assets					11,758
Miscellaneous					22,271
Total General Revenues					4,575,501
Change in Net Assets					4,705,288
Net Assets, June 30, 2009					8,524,598
Net Assets, June 30, 2010					\$ 13,229,886

See accompanying notes to the basic financial statements.

Hardin Northern Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Bond Retirement Fund	OSFC Local Share Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 2,086,116	\$ 109,693	\$ 5,282,166	\$ 873,693	\$ 8,351,668
Cash With Fiscal Agent	-	-	-	361	361
Receivables:					
Taxes	852,188	205,840	1,702	72,611	1,132,341
Intergovernmental	-	-	-	138,885	138,885
Income Taxes	407,781	-	-	-	407,781
Accrued Interest	4,168	-	-	-	4,168
Prepaid Items	47,034	-	-	9,201	56,235
Inventory for Resale	-	-	-	1,038	1,038
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	164,243	-	-	-	164,243
Total Assets	\$ 3,561,530	\$ 315,533	\$ 5,283,868	\$ 1,095,789	\$ 10,256,720
Liabilities:					
Accounts Payable	\$ 478	\$ -	\$ 31,731	\$ 3,182	\$ 35,391
Accrued Wages	344,770	-	-	54,013	398,783
Intergovernmental Payable	100,461	-	-	10,383	110,844
Deferred Revenue	903,585	187,362	-	200,234	1,291,181
Total Liabilities	1,349,294	187,362	31,731	267,812	1,836,199
Fund Balances:					
Reserved for Encumbrances	45,504	-	3,265,056	425,313	3,735,873
Reserved for Property Taxes Unappropriable	84,530	18,478	1,702	10,097	114,807
Reserved for Textbooks	146,927	-	-	-	146,927
Reserved for Budget Stabilization	17,316	-	-	-	17,316
Unreserved , Reported in:					
General Fund	1,917,959	-	-	-	1,917,959
Special Revenue Funds	-	-	-	49,072	49,072
Debt Service Funds	-	109,693	-	-	109,693
Capital Projects Funds	-	-	1,985,379	343,495	2,328,874
Total Fund Balances	2,212,236	128,171	5,252,137	827,977	8,420,521
Total Liabilities and Fund Balances	\$ 3,561,530	\$ 315,533	\$ 5,283,868	\$ 1,095,789	\$ 10,256,720

See accompanying notes to the basic financial statements.

Hardin Northern Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances	\$ 8,420,521
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*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,001,943
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Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds	
Deferred Revenue-Property Taxes	59,210
Deferred Revenue-Intergovernmental Grants	137,720
Deferred Revenue-Income Taxes	135,927

Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
School Improvement Bonds	(3,470,000)
Capital Leases Payable	(923,180)
Accrued Interest Payable	(12,610)
Compensated Absences Payable	(119,645)
Total Net Assets	<u><u>\$ 13,229,886</u></u>

See accompanying notes to the basic financial statements.

Hardin Northern Local School District
*Statement of Revenues, Expenditures
and Changes in Fund Balances*
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General Fund	Debt Service Fund	OSFC Local Share Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 883,617	\$ 192,643	\$ 1,702	\$ 120,537	\$ 1,198,499
Income Taxes	806,924	-	-	-	806,924
Intergovernmental	2,417,511	34,613	4,157,232	507,856	7,117,212
Investment Income	16,876	42	34,402	1,971	53,291
Tuition	389,901	-	-	-	389,901
Extracurricular Activities	-	-	-	52,927	52,927
Charges for Services	-	-	-	90,318	90,318
Classroom Materials and Fees	13,518	-	-	-	13,518
Miscellaneous	17,520	-	-	4,751	22,271
Total Revenues	4,545,867	227,298	4,193,336	778,360	9,744,861
Expenditures:					
Current:					
Instruction:					
Regular	2,260,446	-	-	182,162	2,442,608
Special	262,181	-	-	171,747	433,928
Vocational	224,505	-	-	1,359	225,864
Support Services:					
Pupils	152,805	-	-	1,981	154,786
Special Instruction	102,621	-	-	49,324	151,945
Board	41,638	-	-	-	41,638
Administration	489,083	-	-	5,841	494,924
Fiscal	200,338	-	-	5,786	206,124
Operation and Maintenance	291,469	-	-	12,528	303,997
Pupil Transportation	235,760	-	-	-	235,760
Operation of Non-Instructional	-	-	-	176,033	176,033
Extracurricular Activities	127,027	-	-	63,270	190,297
Facilities Acquisition and Construction	-	-	6,187,412	625,221	6,812,633
Debt Service:					
Principal Retirement	-	75,000	-	26,820	101,820
Interest and Fiscal Charges	-	161,425	-	48,526	209,951
Total Expenditures	4,387,873	236,425	6,187,412	1,370,598	12,182,308
Excess of Revenues Over (Under) Expenditures	157,994	(9,127)	(1,994,076)	(592,238)	(2,437,447)
Other Financing Sources (Uses):					
Proceeds from the Sale of Assets	11,758	-	-	-	11,758
Proceeds from Lease Purchase Agreement	-	-	-	950,000	950,000
Transfers In	-	-	-	9,500	9,500
Transfers Out	(9,500)	-	-	-	(9,500)
Total Other Sources (Uses)	2,258	-	-	959,500	961,758
Net Change in Fund Balance	160,252	(9,127)	(1,994,076)	367,262	(1,475,689)
Fund Balances Beginning of Year	2,051,984	137,298	7,246,213	460,715	9,896,210
Fund Balances End of Year	\$ 2,212,236	\$ 128,171	\$ 5,252,137	\$ 827,977	\$ 8,420,521

See accompanying notes to the basic financial statements.

Hardin Northern Local School District
*Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances-Total Governmental Funds \$ (1,475,689)

Amounts reported in governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays was over (under) depreciation in the current period.

Capital Outlays	\$ 7,179,731	
Depreciation Expense	<u>(312,629)</u>	6,867,102

Proceeds of Lease Purchase Agreement provide current financial resources to governmental funds; however, issuing debt increase long-term liabilities in the statement of net assets.

Lease Purchase Agreement		(950,000)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	\$ 21,053	
Income Taxes	9,581	
Intergovernmental Grants	<u>130,229</u>	160,863

Repayment of long-term debt is reported as an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bond Principal Retirement		75,000
Lease Purchase Principal Payment		26,820

In the Statement of Activities, interest is accrued on an outstanding note, whereas in governmental funds, an interest expenditure is reported when due.

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Some expenses reported in the Statement of Activities, such as compensated absences and do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		<u>944</u>
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Change in Net Assets of Governmental Activities		<u><u>\$ 4,705,288</u></u>
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See accompanying notes to the basic financial statements.

Hardin Northern School District
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP) and Actual
General Fund*
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$ 870,000	\$ 891,833	\$ 891,833	\$ -
Income Tax	780,000	787,761	787,761	-
Intergovernmental	2,355,569	2,420,111	2,417,511	(2,600)
Interest	30,000	15,260	17,071	1,811
Tuition and Fees	341,990	406,891	403,419	(3,472)
Miscellaneous	2,500	16,705	17,520	815
Total Revenue	4,380,059	4,538,561	4,535,115	(3,446)
Expenditures:				
Current:				
Instruction:				
Regular	2,312,184	2,285,693	2,285,325	368
Special	265,335	270,365	263,691	6,674
Vocational	304,678	279,249	225,087	54,162
Support Services:				
Pupils	152,529	153,755	152,298	1,457
Instructional Staff	101,062	106,791	101,397	5,394
Board of Education	46,160	47,388	46,316	1,072
Administration	440,146	488,214	485,198	3,016
Fiscal	224,765	219,531	205,438	14,093
Operation and Maintenance	349,135	336,614	299,291	37,323
Pupil Transportation	235,260	239,853	233,083	6,770
Central	1,200	1,144	907	237
Extracurricular Activities	121,400	125,991	125,991	-
Total Expenditures	4,553,854	4,554,588	4,424,022	130,566
Excess of Revenues Over (Under) Expenditures	(173,795)	(16,027)	111,093	127,120
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	11,758	11,758	-
Transfer In	68,000	105,552	105,552	-
Transfer Out	(95,053)	(132,605)	(115,052)	17,553
Total Other Sources (Uses)	(27,053)	(15,295)	2,258	17,553
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(200,848)	(31,322)	113,351	144,673
Fund Balances (Deficit) at Beginning of Year	2,057,239	2,057,239	2,057,239	-
Prior Year Encumbrances Appropriated	33,781	33,781	33,781	-
Fund Balances (Deficit) at End of Year	\$ 1,890,172	\$ 2,059,698	\$ 2,204,371	\$ 144,673

See accompanying notes to the basic financial statements.

Hardin Northern Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 307	\$ 38,430
Total Current Assets	307	38,430
Total Assets	307	\$ 38,430
 <u>Liabilities:</u>		
Due to Students	\$ -	\$ 38,334
Accounts Payable	-	96
Total Current Liabilities	-	\$ 38,430
Total Liabilities	-	
 <u>Net Assets:</u>		
Unrestricted:		
Held in Trust for Scholarship	307	
Total Net Assets	\$ 307	

See accompanying notes to the basic financial statements.

Hardin Northern Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust
	Scholarship
<u>Additions:</u>	
Other Operating Revenue	\$ -
Total Additions	-
 <u>Deductions</u>	
Other Operating Expenses	-
Total Deductions	-
Change in Net Assets	-
Net Assets Beginning of Year	307
Net Assets End of Year	\$ 307

See accompanying notes to the basic financial statements.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 -- DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Hardin Northern Local School District (School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under an elected Board of Education (5 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 was established in 1952. The School District serves an area of approximately eighty-eight miles. It is located in Hardin and Hancock Counties and includes all of Blanchard and Washington Townships and portions of Pleasant, Cessna, Van Buren and Jackson Townships. It is staffed by forty certificated employees and nineteen non-certificated personnel who provide services to four hundred ninety students and other community members. Local school districts are supervised by the county board of education, a separate entity.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials 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 operation, food service, and student related activities of the School District.

Component units are legally separate organizations for 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; 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. Components units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. There are no component units of the School District.

The School District participates in six jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations are the Western Ohio Computer Organization, Apollo Career Center, West Central Regional Professional Development Center, Hardin County Schools Consortium Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., West Central Ohio Special Education Regional Resource Center, Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Hardin Northern Public Library. These organizations are discussed in Notes 17, 18, and 19 to the basic financial statements.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 its governmental funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a more detailed level of financial information.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

A. Basis of Presentation (Continued)

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid 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. The various funds of the School District are classified into two categories: governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund, the debt service fund, and the Ohio State Classroom Facilities fund are the School District's major governmental funds:

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

The debt service fund accounts for the accumulation of financial resources for the payment of general long-term debt principal and interest.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

B. Fund Accounting (Continued)

Governmental Funds (Continued)

The Ohio State Classroom Facilities fund accounts for the renovation and construction of new school improvements.

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects whose uses are restricted to a particular purpose.

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases and decreases in net assets.

Fund Financial Statements All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government activities and governmental funds.

The private purpose trust is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

D. Basis of Accounting (Continued)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within thirty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used of the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are meant are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each fund and function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2010, investments were limited to nonnegotiable certificates of deposit, savings accounts, money markets, Federal National Mortgage Association Securities, Federal Home Loan Bank Securities and STAR Ohio. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a maturity of one year or less at the time of purchase is reported at cost or amortized cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2010. 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, 2010.

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 fiscal year 2010 amounted to \$16,876.

For presentation on the financial statements, 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 that are not purchased from the pool are reported as investments.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

G. Restricted Cash and Cash Equivalent Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish budget stabilization, capital maintenance, and textbook reserves. The budget reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. The capital maintenance reserve is required to be spent only on capital expenditures to maintain school property and equipment. The textbook reserve is required to be spent only on textbooks for the School District. At fiscal year end, restricted assets totaled \$164,243.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method.

I. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories are stated at the lower of cost or market. For all funds, cost is determined on a first-in/first-out (FIFO) basis. Inventories consist of donated food and purchased food and are expensed when used.

J. Capital Assets

General capital assets are those assets generally resulting from expenditures in the government funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure. Improvements are capitalized; 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15
Buildings and Improvements	40
Furniture and Equipment	10
Vehicles	10

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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.

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 vested employees.

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

The entire compensated absence liability is reported on the government-wide financial statements.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. In general, payments made within thirty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

N. Fund Balances Reserves

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. Unreserved balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and budget stabilization in the governmental funds. The principal amount of the private purpose trust endowments is reserved in the fiduciary funds.

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 and textbooks represents money required to be set-aside by statute to protect against cyclical changes in revenue and expenditures.

O. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Estimates

The preparation of the 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. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2010.

NOTE 3 -- BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are the following:

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 -- BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund:

Net Change in Fund Balance:	General
Budget Basis	\$ 113,351
Adjustments:	
Revenue:	
Accrued FY2009, Received In Cash FY2010	360,552
Accrued FY2010, Not yet Received In Cash	(349,800)
Expenditure accruals	
Accrued FY2010, Not yet Paid In Cash	388,836
Accrued FY2009, Paid In Cash FY2010	(398,669)
Encumbrances	45,982
GAAP Basis	\$ 160,252

NOTE 4 -- DEPOSITS AND INVESTMENTS

Statutes require the classification of monies held by the School District into three categories:

Active Deposits are those monies required to be kept in a "cash" or "near-cash" status for immediate use by the School District. Such monies must by law be maintained either as cash in the School District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) account, or in money market deposit accounts.

Inactive Deposits are those monies not required for use within the current five-year period of designation of depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Deposits 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.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 -- DEPOSITS AND INVESTMENTS (Continued)

Protection of the 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 money deposited with the institution.

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principle and interest by the United States;
2. Bonds, notes, debentures, or other obligations of securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the 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 repurchased agreement must exceed the principal value of the agreements by at least two percent and be marked to market to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (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 mentioned in section 135.03 of the Revised Code;
6. The State Treasurer's Investment pool;

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 Hardin Northern Local 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.

Deposits

At fiscal year end June 30, 2010, the carrying amount of the School District's deposits was \$1,977,414 and the bank balance was \$2,062,351. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2010, \$1,208,303 of the bank balance was exposed to custodial risk as discussed below, while \$854,048 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 -- DEPOSITS AND INVESTMENTS (Continued)

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

Investments

As of June 30, 2010, the School District's investments total \$6,575,270 and consisted of the following:

Investments	Fair Value	Percent	Investment Maturities		
			Less than 1 to 6 months	From 7 to 12 months	From 13 to 18 months
Fifth Third Inst Govt Money Market	\$ 3,259,143	49.57%	\$ 3,259,143	\$ -	\$ -
STAROHIO	3,316,127	50.43%	3,316,127	-	-
	<u>\$ 6,575,270</u>	<u>100.00%</u>	<u>\$ 6,575,270</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The School District's investments were rated AAA by Standard & Poor's.

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer.

NOTE 5 -- PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real and public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes for 2010 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35% 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 property taxes for 2010 were levied after April 1, 2010, on the assessed values as of December 31, 2009, the lien date. Public utility real property is assessed at 35% 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.

The School District receives property taxes from Hardin and Hancock Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2010, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 -- PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility property which were measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2010 operations. For the governmental fund financial statements, 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 was recognized as revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2010 First		2009 Second	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential/Commercial	\$ 47,879,360	95.51%	\$ 47,311,920	95.18%
Public Utility	2,163,520	4.32%	2,333,650	4.69%
Tangible Personal Property	89,450	1.32%	61,110	0.13%
Total Assessed Value	\$ 50,132,330	100.00%	\$ 49,706,680	100.00%
 Tax Rate per \$1,000 of assessed valuation	 \$ 43.25		 \$ 43.75	

NOTE 6 – INCOME TAX

The School District levies a voted tax of 1¾% 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.

NOTE 7 -- RECEIVABLES

Receivables at June 30, 2010, consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Receivables</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
School Income Taxes	<u>\$ 407,781</u>
Total Income Taxes Receivable	407,781
<u>Property Taxes:</u>	
General:	
Current	\$ 808,000
Delinquent	<u>44,188</u>
Total General Fund	852,188

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 7 – RECEIVABLES (Continued)

Debt Service:	
Current	196,700
Delinquent	<u>9,140</u>
Total Debt Service	205,840
Permanent Improvement:	
Current	67,600
Delinquent	<u>5,011</u>
Total Permanent Improvement	72,611
Ohio State Classroom Facilities:	
Current	831
Delinquent	<u>871</u>
Total Ohio Classroom Facilities	<u>1,702</u>
Total Property Tax Receivable	<u>\$1,132,341</u>
<u>Intergovernmental:</u>	
High Schools that Work	\$ 3,696
Ohio K-12 Network Subsidy	1,427
Rest Grant Fed from State	96,378
SFSF Funds	545
REAP	6,089
Title I	<u>30,130</u>
Total Intergovernmental Receivables	<u>\$ 138,265</u>
Accrued Interest Receivable	\$ <u>4,168</u>
Total Accrued Interest Receivable	\$ 4,168
Total Governmental Activities	<u>\$1,683,175</u>

NOTE 8 -- CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 -- CAPITAL ASSETS (Continued)

	Balance 06/30/09	Additions	Deductions	Balance 06/30/10
Governmental Activities				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Land Improvements	207,668	-	-	207,668
Buildings and Improvements	3,142,209	7,068,069	-	10,210,278
Furniture and Equipment	1,434,983	111,662	-	1,546,645
Vehicles	601,125	-	-	601,125
Totals at Historical Cost	<u>\$ 5,405,985</u>	<u>\$ 7,179,731</u>	<u>\$ -</u>	<u>\$ 12,585,716</u>
	Balance 06/30/09	Additions	Deductions	Balance 06/30/10
Less Accumulated Depreciation:				
Land Improvements	\$ 121,403	\$ 13,845	\$ -	\$ 135,248
Buildings and Improvements	1,433,280	225,388	-	1,658,668
Furniture and Equipment	1,243,372	53,270	-	1,296,642
Vehicles	473,089	20,126	-	493,215
Total Accumulated Depreciation	<u>3,271,144</u>	<u>312,629</u>	<u>-</u>	<u>3,583,773</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 2,134,841</u>	<u>\$ 6,867,102</u>	<u>\$ -</u>	<u>\$ 9,001,943</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$ 6,846
Vocational		322
Support Service:		
Administration		230
Fiscal		455
Operation and Maintenance of Plant		4,473
Operation of Non-Instructional		1,177
Extracurricular		1,418
Facilities Acquisition and Construction Services		297,708
Total Depreciation Expense		<u>\$ 312,629</u>

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 9 -- RESTRICTED ASSETS

The following amounts, which are reflected on the statement of net assets, are restricted for various purposes:

Assets:

Equity in Pooled Cash and Cash Equivalents:

General Fund:	
Budget stabilization	\$ 17,316
Reserved for Textbooks	<u>146,927</u>
Total Governmental Activities Restricted Assets	<u>\$ 164,243</u>

NOTE 10 -- INTERFUND TRANSFERS

Interfund transfers during fiscal year 2010 consisted of the following individual funds:

<u>Fund:</u>	<u>Transfers Out</u>	<u>Transfer In</u>
General	\$ 9,500	\$ -
Non-Major Funds:		
Food Service	-	<u>9,500</u>
TOTALS	<u>\$ 9,500</u>	<u>\$ 9,500</u>

NOTE 11 -- RISK MANAGEMENT

A. Insurance Coverage

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 2010, the School District contracted with the Schools of Risk Sharing Authority for the following insurance coverage.

Buildings and Contents - replacement cost (\$250 deductible)	\$12,720,148
General Liability:	
Per Occurrence	6,000,000
Aggregate	8,000,000
Vehicle Liability	6,000,000
Uninsured Motorist	1,000,000
Public Employee Dishonesty	100,000

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, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 11 – RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2010, the School District participated in the Ohio Association of School Business Officials 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 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 medical, dental, vision, and life insurance 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.

NOTE 12 -- DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to State Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 State Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohser.org under *Forms and Publications*.

For the fiscal year 2010, plan members were required to contribute 10% of their annual covered salary and the School District was required to contribute 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending 2009, it was determined the employer contribution rate to the pension and death benefits to be 9.09%. The remaining 4.91% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's required contribution for pension obligations to SERS for the fiscal year June 30, 2010, 2009 and 2008 was \$61,568, \$55,467 and \$46,941.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 12 -- DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 12 -- DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems (Continued)

Combined Plan Benefits – The member allocates Member contributions, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

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

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions rate are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2010, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. The School District's required contribution for pension obligations for the fiscal years 2010, 2009, and 2008 was \$295,304, \$268,503 and \$250,953; 84.6 percent has been contributed for fiscal year June 30, 2010 and 100.0 has been contributed for fiscal year 2009 and 2008. \$45,526 represents the unpaid contribution for fiscal year 2010. The balance outstanding is reflected as an intergovernmental payable.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 12 -- DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems (Continued)

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2010 Comprehensive Annual Financial Report will be available after December 31, 2009. Additional information or copies of STRS Ohio's 2010 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

NOTE 13 -- POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the less of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75%. The School District contributions for the years ended June 30, 2010, 2009, and 2008 were \$4,296, \$3,728 and \$3,241. 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

Health Care Plan

ORS 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORS provides the authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 13 -- POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105 (e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the fiscal year ended June 30, 2009, the health care allocation was 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$41,042, \$37,043 and \$26,935, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800)878-5853. It is also posted on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

B. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of a Defined Benefit, a self-directed Defined Contribution, and a Combined Plan that is a hybrid of Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to the 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate establish under Ohio Law. The School District contributions for the fiscal years ended June 30, 2010, 2009, and 2008 were \$22,716, \$20,219, and \$19,727. 84.6% has been contributed for the fiscal year 2010 and 100 percent has been contributed for the fiscal years 2009 and 2008.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 14 -- OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are 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 two hundred days for classified employees and two hundred ten 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 medical, dental, vision, and life 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.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System/State Teachers Retirement System. As of June 30, 2010, none of the Board of Education members have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 15 -- LONG-TERM LIABILITIES

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 06/30/09	Additions	Reductions	Principal Outstanding 06/30/10	Due Within One Year
Governmental Activities:					
School Improvement Bond, 4.46%					
Matures 12/1/2036	\$ 3,545,000	\$ -	\$ 75,000	\$ 3,470,000	\$60,000
Capital Lease Payable, 5.625%					
Matures 6/1/2029	-	950,000	26,820	923,180	28,179
Compensated Absences	120,589	-	944	119,645	2,993
Total Long-Term Liabilities	<u>\$ 3,665,589</u>	<u>\$ 950,000</u>	<u>\$ 102,764</u>	<u>\$ 4,512,825</u>	<u>\$91,172</u>

In December 2007, the School District issued a general obligation School Improvement Bond Anticipation Note for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, site improvement, and all necessary appurtenances. The note was paid off by the issuance of a School Improvement Bond. The bond was issued on February 26, 2009 at a rate of 4.46% and will mature on December 1, 2036.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 -- LONG-TERM LIABILITIES (Continued)

In July 2009, the School District issued a Capital Lease Purchase Agreement with U.S. Bank National Association in the amount of \$950,000 for construction and improvements to school facilities including earth works, paving, landscaping, site improvements, equipment and furnishings. The initial term of the lease is from July 1, 2010 to June 30, 2011 with one year renewal terms until June 1, 2029.

Compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$1,170,081 with an unvoted debt margin of \$50,132 at June 30, 2010.

The following is a summary of the School District's future annual debt service requirements for long-term debt:

	School Improvement Bonds, Series 2008		Capital Lease Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 60,000	\$ 153,424	\$ 28,179	\$ 51,547	\$ 88,179	\$ 204,971
2012	65,000	150,637	29,785	49,939	94,785	200,576
2013	65,000	147,738	31,485	48,241	96,485	195,979
2014	70,000	144,727	33,281	46,445	103,281	191,172
2015	75,000	141,494	197,141	201,488	272,141	342,982
2016-2020	450,000	651,159	260,155	138,473	710,155	789,632
2021-2025	580,000	536,759	343,154	55,476	923,154	592,235
2026-2030	730,000	390,694	-	-	730,000	390,694
2031-2035	910,000	208,952	-	-	910,000	208,952
2036-2037	465,000	21,520	-	-	465,000	21,520
	<u>\$ 3,470,000</u>	<u>\$ 2,547,104</u>	<u>\$ 923,180</u>	<u>\$ 591,609</u>	<u>\$4,393,180</u>	<u>\$ 3,138,713</u>

NOTE 16 -- SET ASIDES

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 was also required to set aside money for budget stabilization. For fiscal year 2010, only the portion of the budget stabilization from certain Bureau of Workers' Compensation refunds whose use is restricted by S.B. 345 continues to be set-aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and Bureau of Worker's Compensation refunds during fiscal year 2010:

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 16 -- SET ASIDES (Continued)

	Textbook Reserve	Capital Maintenance Reserve	Bureau of Workers Compensation Refunds	Total
Balance, June 30, 2009	\$ 174,238	\$ -	\$ 17,316	\$ 191,554
Required Set-Aside	80,477	-	-	80,477
Qualifying Expenditures	<u>(107,878)</u>	<u>-</u>	<u>-</u>	<u>(107,878)</u>
Balance, June 30, 2010	<u>\$ 146,837</u>	<u>\$ -</u>	<u>\$ 17,316</u>	<u>\$ 164,153</u>
Amount Carried Forward to Fiscal Year 2010				\$ 164,153

NOT

E 17 -- JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The School District is a participant in the Western Ohio 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. This organization is governed by a board of directors consisting of 14 members: the superintendent of the fiscal agent Shelby County Education Service Center, two superintendents from each county that is represented, one treasurer representative from the School Districts, student services representative from the school districts, and a non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained from the 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, 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 Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 17 -- JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Hardin County Schools Consortium Local Professional Development Committee

The Hardin County Schools Consortium Local Professional Development Committee (the Consortium) is an association of five school districts within Hardin County. The Consortium was formed to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The governing board of the Consortium consists of fifteen members, eight of which are teachers and seven of which are administrators. Financial information can be obtained from the Hardin County Educational Service Center, who serves as fiscal agent, at 1211 West Lima Street, Kenton, Ohio 43326.

E. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

F. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of fifty-two members made up of the fifty superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board.

NOTE 18 -- INSURANCE POOLS

A. Ohio Association of School Business Official's 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 Association of School Business Official's Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Official's (OASBO) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a four member Board of Directors consisting of the President, Vice-President, the President-Elect, and the Immediate Past President of the OASBO. The Executive Director of the OASBO, 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, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 18 -- 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 medical, dental, vision, and life insurance 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, Director, 9525 Township Road 50, Dola, Ohio 45835.

NOTE 19 -- 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, Clerk/Treasurer, P.O. Box 114, 153 North Main Street, Dunkirk, Ohio 45836.

NOTE 20 -- STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 21 -- CONTINGENT LIABILITIES

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

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

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

December 13, 2010

Hardin Northern Local School District
Hardin County
11589 State Route 81
Dola, Ohio 44835-9725

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Hardin Northern Local School District, Hardin County, Ohio** (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents, and have issued our report dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, and Board of Education. It is not intended for anyone other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

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Mary Taylor, CPA
Auditor of State

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
JANUARY 20, 2011**