

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY  
Regular Audit  
For the Fiscal Year Ended June 30, 2013**

***Perry & Associates***  
Certified Public Accountants, A.C





# Dave Yost • Auditor of State

Board of Education  
Hardin Northern Local School District  
11589 St. Rt. 81  
Dola, Ohio 45835

We have reviewed the *Independent Auditor's 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, 2012 through June 30, 2013. 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.

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

Dave Yost  
Auditor of State

May 6, 2015

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**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY**

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***Perry & Associates***  
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**INDEPENDENT AUDITOR'S REPORT**

December 31, 2014

Hardin Northern Local School District  
Hardin County  
11589 St. Rt. 81  
Dola, Ohio 45835

To the Board of Education:

***Report on the Financial Statements***

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

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

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

***Auditor's Responsibility***

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

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

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

***Opinion***

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

***Accounting Basis***

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

***Emphasis of Matter***

As discussed in Note 2D to the financial statements, during 2013, the School District has elected to change its financial presentation comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental and Other Information***

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

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

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

The discussion and analysis of the Hardin Northern Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2013 are as follows:

- The District changed financial reporting from a basis of accounting that follows accounting principles generally accepted in the United States of America (GAAP) to the cash-basis of accounting. The effect of the change in accounting basis is reported in Note 3.C. to the financial statements.
- In total, net cash position of governmental activities increased \$196,714 which represents a 5.72% increase from 2012 (as restated in Note 3.C.).
- General cash receipts accounted for \$4,822,453 or 82.41% of all cash receipts. Program specific cash receipts in the form of charges for services and sales, and grants and contributions accounted for \$1,029,417 or 17.59% of total cash receipts of \$5,851,870.
- The District had \$5,655,156 in cash disbursements related to governmental activities; \$1,029,417 of these expenses was offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,822,453 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$5,018,954 in cash receipts and \$4,808,638 in cash disbursements and other financing uses. During fiscal year 2013, the general fund's fund cash balance increased \$210,316 from a balance of \$2,814,048 to \$3,024,364.

**Using these Basic Financial Statements**

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

**Reporting the District as a Whole**

***Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis***

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

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, deferred outflows of resources and deferred inflows of resources are also not presented. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than GAAP. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a cash-basis plus encumbrances. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statement of fiduciary net position - cash basis on page 18. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 19-41 of this report.

**The District as a Whole**

The table below provides a summary of the District's net cash position at June 30, 2013 and June 30, 2012, as restated in Note 3.C to the basic financial statements.

	<b>Net Cash Position</b>	
	Governmental Activities 2013	Restated Governmental Activities 2012
<b><u>Assets</u></b>		
Equity in pooled cash and cash equivalents	\$ 3,634,239	\$ 3,437,525
Total assets	<u>3,634,239</u>	<u>3,437,525</u>
<b><u>Net Cash Position</u></b>		
Restricted	609,875	623,477
Unrestricted	<u>3,024,364</u>	<u>2,814,048</u>
Total net cash position	<u>\$ 3,634,239</u>	<u>\$ 3,437,525</u>

The total net cash position of the District increased \$196,714 which represents a 5.72% increase from fiscal year 2012. A portion of the District's net cash position, \$609,875, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$3,024,364 may be used to meet the District's ongoing obligations to the students and creditors.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

The table below shows the change in net cash position for fiscal years 2013 and 2012, as restated in Note 3.C to the basic financial statements.

	<b>Change in Cash Net Position</b>	
	Governmental Activities 2013	Restated Governmental Activities 2012
	<u>2013</u>	<u>2012</u>
<b><u>Receipts</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 550,480	\$ 625,253
Operating grants and contributions	478,937	534,808
General cash receipts:		
Property taxes	1,487,212	1,398,700
Income taxes	944,683	905,289
Grants and entitlements	2,374,727	2,326,107
Investment earnings	4,618	2,746
Other	11,213	4,063
Total receipts	<u><u>5,851,870</u></u>	<u><u>5,796,966</u></u>

Charges for services and sales program cash receipts decreased \$74,773 from the prior year. This decrease can be attributed to a decrease of open enrollment tuition receipts. Operating grants and contributions cash receipts decreased \$55,871 due to fewer federal grant cash receipts. Property tax cash receipts increased \$88,512 and income tax receipts increased \$39,394 from the prior year due to improving economic conditions.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

	<b>Change in Net Cash Position</b>	
	Governmental Activities 2013	Restated Governmental Activities 2012
<b><u>Cash disbursements:</u></b>		
Program disbursements:		
Instruction:		
Regular	\$ 2,541,374	\$ 2,402,038
Special	365,956	416,284
Vocational	256,752	240,068
Support services:		
Pupil	166,515	164,438
Instructional staff	143,113	143,454
Board of education	99,903	35,282
Administration	431,025	454,443
Fiscal	215,041	213,376
Operations and maintenance	507,789	434,763
Pupil transportation	283,716	202,333
Central	473	503
Operation of non-instructional services:		
Food service operations	153,048	160,064
Extracurricular activities	196,829	208,163
Facilities acquisition and construction	1,158	221,906
Debt service:		
Principal and interest	96,485	94,786
Interest and fiscal charges	195,979	120,851
Total cash disbursements	<u>5,655,156</u>	<u>5,512,752</u>
Change in net cash position	196,714	284,214
Net cash position at beginning of year (restated)	<u>3,437,525</u>	<u>3,153,311</u>
Net cash position at end of year	<u><u>\$ 3,634,239</u></u>	<u><u>\$ 3,437,525</u></u>

**Governmental Activities**

Net cash position of the District's governmental activities increased \$196,714. Total governmental cash disbursements of \$5,655,156 were offset by program cash receipts of \$1,029,417 and general cash receipts of \$4,822,453. Program cash receipts supported 18.20% of the total governmental cash disbursements. The largest governmental disbursements were instructional disbursements which totaled \$3,164,082 or 55.95% of total governmental disbursements for fiscal 2013.

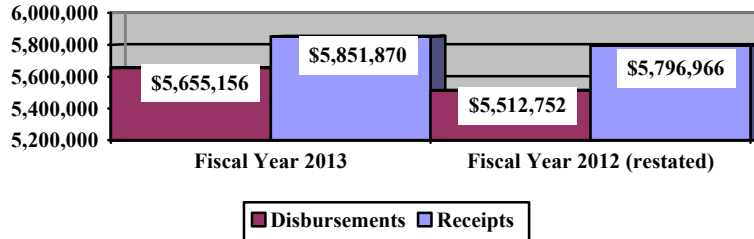
The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 82.14% of total governmental receipts.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2013 and 2012, as restated in Note 3.C to the basic financial statements.

**Governmental Activities - Cash Receipts and Cash Disbursements**



The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services, which identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements. Amounts for 2012 have been restated to reflect the cash-basis of accounting.

**Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Restated Total Cost of Services 2012	Restated Net Cost of Services 2012
<b>Cash disbursements:</b>				
Instruction:				
Regular	\$ 2,541,374	\$ 2,129,841	2,402,038	1,914,762
Special	365,956	80,420	416,284	79,708
Vocational	256,752	208,209	240,068	191,525
Support services:				
Pupil	166,515	164,464	164,438	160,682
Instructional staff	143,113	109,045	143,454	108,587
Board of education	99,903	99,903	35,282	35,282
Administration	431,025	431,025	454,443	454,443
Fiscal	215,041	215,041	213,376	213,376
Operations and maintenance	507,789	507,789	434,763	434,763
Pupil transportation	283,716	280,430	202,333	198,568
Central	473	473	503	503
Operation of non-instructional services:				
Food service operations	153,048	(35,130)	160,064	(17,620)
Extracurricular activities	196,829	140,607	208,163	140,569
Facilities acquisition and construction	1,158	1,158	221,906	221,906
Debt service:				
Principal retirement	96,485	96,485	94,786	94,786
Interest and fiscal charges	195,979	195,979	120,851	120,851
<b>Total cash disbursements</b>	<u>\$ 5,655,156</u>	<u>\$ 4,625,739</u>	<u>\$ 5,512,752</u>	<u>\$ 4,352,691</u>

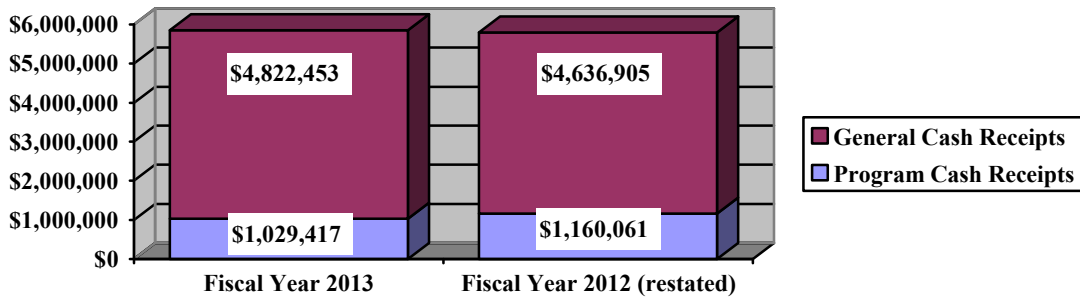
The dependence upon general cash receipts for governmental activities is apparent; with 81.80% of cash disbursements supported through taxes and other general cash receipts during 2013.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

The graph below presents the District's governmental activities cash receipts for fiscal years 2013 and 2012, as restated in Note 3.C to the basic financial statements. Amounts for 2012 have been restated to reflect the cash-basis of accounting.

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



**The District's Funds**

The District's governmental funds reported a combined fund cash balance of \$3,634,239, which is higher than last year's total restated fund cash balance of \$3,437,525 (as described in Note 3.C). The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2013 and June 30, 2012.

	Fund Cash Balance June 30, 2013	Restated Fund Cash Balance June 30, 2012	Increase/ Decrease	Percentage Change
General	\$ 3,024,364	\$ 2,814,048	\$ 210,316	7.47 %
Other Governmental	609,875	623,477	(13,602)	(2.18) %
Total	<u>\$ 3,634,239</u>	<u>\$ 3,437,525</u>	<u>\$ 196,714</u>	5.72 %

**General Fund**

The general fund, the District's largest major fund, had cash receipts of \$5,018,954 in 2013. The cash disbursements and other financing uses of the general fund, totaled \$4,808,638 in 2013. The general fund's cash balance increased \$210,316 or 7.47% from 2012 to 2013.

Overall cash receipts increased \$119,808 or 2.45% during fiscal year 2013. Tuition receipts decreased \$69,832 from the prior year. This decrease can be attributed to a decrease in open enrollment. Earnings on investments increased 69.02% due to increased cash balances to invest over the prior year. Other revenues increased 22.72% due to an increase in miscellaneous receipts.

Overall cash disbursements increased \$268,763 or 5.99% during fiscal year 2013. The increase in cash disbursements for instruction of \$186,237 or 6.67% and support services of \$82,778 or 5.32% can be attributed to increased personnel costs coupled with an emphasis instructional technology disbursements.



**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

The table that follows assists in illustrating the financial activities and fund cash balance of the general fund, as restated in Note 3.C to the basic financial statements.

	2013 <u>Amount</u>	Restated 2012 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Cash receipts</u></b>				
Taxes	\$ 2,112,977	\$ 1,982,980	\$ 129,997	6.56 %
Tuition	388,421	458,253	(69,832)	(15.24) %
Earnings on investments	4,577	2,708	1,869	69.02 %
Intergovernmental	2,481,589	2,429,626	51,963	2.14 %
Other revenues	<u>31,390</u>	<u>25,579</u>	<u>5,811</u>	22.72 %
 Total	 <u>\$ 5,018,954</u>	 <u>\$ 4,899,146</u>	 <u>\$ 119,808</u>	 2.45 %
<b><u>Cash disbursements</u></b>				
Instruction	\$ 2,979,516	\$ 2,793,279	\$ 186,237	6.67 %
Support services	1,639,942	1,557,164	82,778	5.32 %
Extracurricular activities	<u>139,180</u>	<u>139,432</u>	<u>(252)</u>	(0.18) %
 Total	 <u>\$ 4,758,638</u>	 <u>\$ 4,489,875</u>	 <u>\$ 268,763</u>	 5.99 %

***General Fund Budgeting Highlights***

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

For the general fund, final budgetary basis receipts of \$4,926,654 were the same as the original budget estimates of \$4,926,654. Actual cash receipts of \$5,011,508 were more than final budget estimates by \$84,854. The final budgetary basis disbursements of \$4,894,545 were more than the original budget estimates of \$4,872,945. The actual budgetary basis disbursements of \$4,818,780 were \$75,765 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

***Debt Administration***

At June 30, 2013, the District had \$4,113,731 in school improvement bonds and capital lease obligations. Of the total long term obligations, \$103,281 is due in one year and \$4,010,450 is due in greater than one year. The following table summarizes the long term obligations outstanding at June 30, 2013 and 2012.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
School improvement bond	\$ 3,280,000	\$ 3,345,000
Capital lease obligations	<u>833,731</u>	<u>865,216</u>
Total	<u>\$ 4,113,731</u>	<u>\$ 4,210,216</u>

At June 30, 2013 the District had a legal voted debt margin of \$2,632,933 and an unvoted debt margin of \$64,301. See Note 8 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

Our District, like most other Districts, continues to face many challenges this year and in the years to come. As the preceding information shows, the District relies heavily upon property taxes, income taxes (1 3/4% continuing), and unrestricted State aid. The District did experience a slight increase to all three receipt line items during fiscal year 2013. Locally, the District has very little industry within its boundaries, which makes the property tax and income tax even more vital to the District's operation and existence. The District did have receipts in excess of disbursements in the amount of \$196,714 for fiscal year 2013.

In regards to State funding, our largest area of receipts, the new biennial State budget which was approved by the Governor at the end of June and which impacts fiscal year 2014 and fiscal year 2015, does indicate increases in our State receipts.

Due to unsettled issues in Ohio public school funding, the District management is required to plan carefully and prudently to provide the resources to meet student needs in the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers, and our creditors and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mr. Wes Potter, Treasurer of Hardin Northern Local School District, 11589 State Route 81, Dola, Ohio, 45835.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2013**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 3,634,239
Total assets. . . . .	3,634,239
 <b>Net cash position:</b>	
Restricted for:	
Capital projects . . . . .	286,674
Classroom facilities maintenance . . . . .	133,915
Debt service. . . . .	125,874
State funded programs. . . . .	1,592
Federally funded programs . . . . .	2,052
Student activities . . . . .	6,813
Food service operations . . . . .	52,955
Unrestricted . . . . .	3,024,364
Total net cash position. . . . .	\$ 3,634,239

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 2,541,374	\$ 402,750	\$ 8,783	\$ (2,129,841)
Special . . . . .	365,956	-	285,536	(80,420)
Vocational . . . . .	256,752	-	48,543	(208,209)
Support services:				
Pupil. . . . .	166,515	-	2,051	(164,464)
Instructional staff . . . . .	143,113	-	34,068	(109,045)
Board of education . . . . .	99,903	-	-	(99,903)
Administration. . . . .	431,025	-	-	(431,025)
Fiscal. . . . .	215,041	-	-	(215,041)
Operations and maintenance . . . . .	507,789	-	-	(507,789)
Pupil transportation. . . . .	283,716	-	3,286	(280,430)
Central . . . . .	473	-	-	(473)
Operation of non-instructional services:				
Food service operations . . . . .	153,048	91,558	96,620	35,130
Extracurricular activities. . . . .	196,829	56,172	50	(140,607)
Facilities acquisition and construction. . . . .	1,158	-	-	(1,158)
Debt service:				
Principal retirement . . . . .	96,485	-	-	(96,485)
Interest and fiscal charges . . . . .	195,979	-	-	(195,979)
Total governmental activities . . . . .	<u>\$ 5,655,156</u>	<u>\$ 550,480</u>	<u>\$ 478,937</u>	<u>(4,625,739)</u>
<b>General cash receipts:</b>				
Property taxes levied for:				
General purposes . . . . .				1,168,294
Debt service. . . . .				191,783
Capital outlay. . . . .				108,432
Classroom facilities maintenance . . . . .				18,703
School district income taxes . . . . .				944,683
Grants and entitlements not restricted to specific programs . . . . .				2,374,727
Investment earnings . . . . .				4,618
Miscellaneous . . . . .				11,213
Total general cash receipts . . . . .				<u>4,822,453</u>
Change in net cash position . . . . .				196,714
<b>Net cash position at beginning of year (restated) . . . . .</b>				<u>3,437,525</u>
<b>Net cash position at end of year. . . . .</b>				<u>\$ 3,634,239</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 3,024,364	\$ 609,875	\$ 3,634,239
Total assets . . . . .	<u>\$ 3,024,364</u>	<u>\$ 609,875</u>	<u>\$ 3,634,239</u>
<b>Fund cash balances:</b>			
Restricted:			
Debt service . . . . .	\$ -	\$ 125,874	\$ 125,874
Capital improvements . . . . .	-	286,674	286,674
Classroom facilities maintenance . . . . .	-	133,915	133,915
Food service operations . . . . .	-	52,955	52,955
Targeted academic assistance . . . . .	-	2,052	2,052
Extracurricular . . . . .	-	6,813	6,813
Other purposes. . . . .	-	1,592	1,592
Assigned:			
Student instruction . . . . .	14,777	-	14,777
Student and staff support. . . . .	5,469	-	5,469
Unassigned . . . . .	3,004,118	-	3,004,118
Total fund cash balances . . . . .	<u>\$ 3,024,364</u>	<u>\$ 609,875</u>	<u>\$ 3,634,239</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>			
From local sources:			
Property taxes . . . . .	\$ 1,168,294	\$ 318,918	\$ 1,487,212
Income taxes . . . . .	944,683	-	944,683
Tuition . . . . .	388,421	-	388,421
Earnings on investments . . . . .	4,577	41	4,618
Charges for services . . . . .	-	91,558	91,558
Extracurricular . . . . .	-	48,726	48,726
Classroom materials and fees . . . . .	14,329	-	14,329
Contributions and donations . . . . .	-	50	50
Other local cash receipts . . . . .	17,061	1,598	18,659
Intergovernmental - state . . . . .	2,479,596	78,382	2,557,978
Intergovernmental - federal . . . . .	1,993	293,643	295,636
<b>Total cash receipts . . . . .</b>	<b>5,018,954</b>	<b>832,916</b>	<b>5,851,870</b>
<b>Cash disbursements:</b>			
Current:			
Instruction:			
Regular . . . . .	2,520,512	20,862	2,541,374
Special . . . . .	202,252	163,704	365,956
Vocational . . . . .	256,752	-	256,752
Support services:			
Pupil . . . . .	164,439	2,076	166,515
Instructional staff . . . . .	108,329	34,784	143,113
Board of education . . . . .	99,903	-	99,903
Administration . . . . .	431,025	-	431,025
Fiscal . . . . .	207,040	8,001	215,041
Operations and maintenance . . . . .	430,054	77,735	507,789
Pupil transportation . . . . .	198,679	85,037	283,716
Central . . . . .	473	-	473
Food service operations . . . . .	-	153,048	153,048
Extracurricular activities . . . . .	139,180	57,649	196,829
Facilities acquisition and construction . . . . .	-	1,158	1,158
Debt service:			
Principal retirement . . . . .	-	96,485	96,485
Interest and fiscal charges . . . . .	-	195,979	195,979
<b>Total cash disbursements . . . . .</b>	<b>4,758,638</b>	<b>896,518</b>	<b>5,655,156</b>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	260,316	(63,602)	196,714
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	50,000	50,000
Transfers (out) . . . . .	(50,000)	-	(50,000)
<b>Total other financing sources (uses) . . . . .</b>	<b>(50,000)</b>	<b>50,000</b>	<b>-</b>
Net change in fund cash balances . . . . .	210,316	(13,602)	196,714
<b>Fund cash balances at beginning of year (restated) . . . . .</b>	<b>2,814,048</b>	<b>623,477</b>	<b>3,437,525</b>
<b>Fund cash balances at end of year . . . . .</b>	<b>\$ 3,024,364</b>	<b>\$ 609,875</b>	<b>\$ 3,634,239</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Budgetary cash receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,077,000	\$ 1,077,000	\$ 1,168,294	\$ 91,294
Income taxes. . . . .	923,395	923,395	944,683	21,288
Tuition. . . . .	460,350	460,350	388,421	(71,929)
Earnings on investments . . . . .	3,000	3,000	4,577	1,577
Classroom materials and fees . . . . .	12,743	12,743	14,329	1,586
Other local revenues . . . . .	3,500	3,500	2,672	(828)
Intergovernmental - state . . . . .	2,440,166	2,440,166	2,479,596	39,430
Intergovernmental - federal . . . . .	6,000	6,000	1,993	(4,007)
Total budgetary cash receipts . . . . .	<u>4,926,154</u>	<u>4,926,154</u>	<u>5,004,565</u>	<u>78,411</u>
<b>Budgetary cash disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,552,590	2,541,443	2,534,965	6,478
Special. . . . .	286,776	218,597	202,577	16,020
Vocational. . . . .	249,946	256,782	256,752	30
Support services:				
Pupil. . . . .	172,023	166,906	164,498	2,408
Instructional staff . . . . .	102,798	109,727	108,329	1,398
Board of education . . . . .	60,360	104,722	100,293	4,429
Administration. . . . .	451,234	442,770	431,304	11,466
Fiscal . . . . .	205,163	209,687	207,303	2,384
Operations and maintenance. . . . .	446,046	449,985	430,230	19,755
Pupil transportation . . . . .	192,456	199,854	198,837	1,017
Central. . . . .	800	800	473	327
Extracurricular activities. . . . .	127,700	133,219	133,219	-
Total budgetary cash disbursements . . . . .	<u>4,847,892</u>	<u>4,834,492</u>	<u>4,768,780</u>	<u>65,712</u>
Excess of budgetary cash receipts over budgetary cash disbursements . . . . .	<u>78,262</u>	<u>91,662</u>	<u>235,785</u>	<u>144,123</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's disbursements . . . . .	-	-	6,943	6,943
Transfers (out). . . . .	(25,053)	(60,053)	(50,000)	10,053
Sale of capital assets . . . . .	500	500	-	(500)
Total other financing sources (uses) . . . . .	<u>(24,553)</u>	<u>(59,553)</u>	<u>(43,057)</u>	<u>16,496</u>
Net change in fund cash balance . . . . .	53,709	32,109	192,728	160,619
<b>Fund cash balance at beginning of year . . .</b>	2,778,216	2,778,216	2,778,216	-
<b>Prior year encumbrances appropriated . . .</b>	33,174	33,174	33,174	-
<b>Fund cash balance at end of year . . . . .</b>	<u>\$ 2,865,099</u>	<u>\$ 2,843,499</u>	<u>\$ 3,004,118</u>	<u>\$ 160,619</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO

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

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 42,207
Total assets. . . . .	<u>42,207</u>
<b>Net cash position:</b>	
Held for students. . . . .	<u>42,207</u>
Total net cash position . . . . .	<u>\$ 42,207</u>

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, 2013**

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

The Hardin Northern Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines. The District was established in 1952 and 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. The District employs 38 certified employees, 16 classified employees and 5 administrators to provide services to 478 students in grades K through 12 and various community groups.

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

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

**A. Reporting Entity**

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Western Ohio Computer Organization (WOCO)

The District is a participant in 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. WOCO was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member districts.

The superintendent of each member district is seated in the assembly, which elects a Board of Directors for the Consortium, and approves major items proposed by the Board of Directors, such as the annual budget, fees schedule, and new cooperative ventures. The Board of Directors is comprised of 14 members, including two superintendents from member districts in each county and the superintendent of the entity serving as its fiscal agent (currently the Shelby County Educational Service Center). Financial information is available from Sonny Ivey, Administrator, 129 East Court Street, Sidney, Ohio 45265.

Apollo Career Center (the Career Center)

The 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 Career Center, 3325 Shawnee Road, Lima, Ohio 45806.

West Central Regional Professional Development Center (the 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 Center 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 County Schools Consortium Local Professional Development Committee (the Consortium)

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.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

Northwestern Ohio Educational Research Council, Inc. (NOERC)

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.

State Support Team 6 (SST6)

SST6 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 to ensure every child has equal access to participate in high quality education and opportunity to progress toward grade level indicators that represent the state of Ohio's high academic expectations about what students should know and be able to do.

*INSURANCE POOLS*

Optimal Health Initiatives Ohio Workers' Compensation Group Rating Program (the "GRP")

The District participates in the GRP, an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The GRP is administered by Sheakley UniService, Inc. Each year, the participants in the GRP pay an enrollment fee to cover the costs of administering the program. Participation in the GRP is limited to participants that can meet the GRP's selection criteria.

Hardin County School Employees' Health 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 and the District. The Trust is organized as a Voluntary Employee Benefit association under Section 501(C)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to an Administrative Committee, which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each school district and the District 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 may be obtained from Rick Combs, who services as Director, 9525 T.R. 50, Dola, Ohio, 45835.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

*RELATED ORGANIZATION*

Hardin Northern Public Library (the Library)

The 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 District for operational subsidies. Although the 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.

**B. Basis of Presentation**

Government-wide Financial Statements - The statement of net position – cash basis and the statement of activities – cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

All cash assets and net cash position associated with the operation of the District are included on the statement of net position – cash basis.

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

**C. Fund Accounting**

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. Expendable cash assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following is the District's major governmental fund:

*General fund* - The general fund is used to account for and report all financial receipts not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**D. Basis of Accounting**

Although Ohio Administrative Code § 117-2-03(B) requires the District's financial report to follow GAAP, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). For the general fund, the difference between disbursements reported in the fund statement disbursements reported in the budgetary statement are due to current year encumbrances being added to disbursements reported on the budgetary statement.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

**E. 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 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 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 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 District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2013, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposits, are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during year 2013 amounted to \$4,577, which includes \$808 assigned from other funds.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

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 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.

An analysis of the District's deposits and investment at year end is provided in Note 4.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Balances**

On fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the governmental activities column on the statement of net position. The District made no advances in or out during fiscal year 2013.

**J. Compensated Absences**

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

**K. Long-Term Obligations**

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

**L. Fund Cash Balance**

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

*Nonspendable* - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The District had no nonspendable fund cash balances at June 30, 2013.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

Assigned - Amounts in the assigned fund cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted receipts first when disbursements are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund cash balance classifications could be used.

**M. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted cash assets at June 30, 2013.

**N. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have any net cash position restricted by enabling legislation at June 30, 2013.



**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**O. Interfund Activity**

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

**P. Extraordinary and Special Items**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Compliance**

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

**B. Change in Accounting Principles**

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

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

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

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

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

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

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

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

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

**C. Change in Basis of Accounting and Restatement of Prior Year Fund Balances and Net Assets**

Ohio Administrative Code, Section 117-2-03(B), requires that the District prepare its annual financial report in accordance with GAAP. For the fiscal year ending June 30, 2013, the District changed from a basis of accounting that follows generally accepted accounting principles (GAAP-basis) to the cash basis of accounting (See Note 2.D), which is a comprehensive basis of accounting other than GAAP. The District has elected to present the cash basis financial statements in a format consistent with GASB Statement No. 34. Fund balances and net assets at June 30, 2012 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals and long-term assets and liabilities.

In addition, GASB Statement No. 54 clarifies the definitions of governmental fund types. A fund reclassification is required in order to report the public school support fund in accordance with GASB Statement No 54. This fund, previously reported as a nonmajor governmental fund, is reclassified as a component of the general fund in accordance with the requirements of GASB Statement No. 54.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

The transition from a GAAP-basis to the cash basis of accounting and the fund reclassification had the following effect on fund balances at June 30, 2012:

	Governmental Funds		
	General	Nonmajor Governmental	Total Governmental
Fund balance at June 30, 2012	\$ 2,988,455	\$ 661,284	\$ 3,649,739
Fund reclassification:			
Public School Support Fund	2,658	(2,658)	-
Restatement due to change in reporting basis adjustments	(177,065)	(35,149)	(212,214)
Restated fund cash balance at June 30, 2012	\$ 2,814,048	\$ 623,477	\$ 3,437,525

The transition from a GAAP-basis to the cash basis of accounting had the following effect on net assets at June 30, 2012:

	Governmental Activities
Net assets at June 30, 2012	\$ 14,014,041
Restatement due to change in reporting basis adjustments	(10,576,516)
Restated net cash position at June 30, 2012	\$ 3,437,525

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**A. Cash on Hand**

At fiscal year end, the District had \$1,964 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits was \$2,178,191. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, the District’s entire bank balance of \$2,306,038 was covered by the FDIC.

**C. Investments**

As of June 30, 2013, the District had the following investment and maturity:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u> 6 months or less
STAR Ohio	\$ 1,496,291	\$ 1,496,291

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. The District has no policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that investment must be purchased with the expectation that it will be held to maturity.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not address credit risk beyond the requirements of State statutes.

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

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

<u>Investment</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,496,291	100.00

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

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

Cash and investments per note disclosure

Carrying amount of deposits	\$ 2,178,191
Investments	1,496,291
Cash on hand	<u>1,964</u>
Total	<u>\$ 3,676,446</u>

Cash and investments per statement of net position

Governmental activities	\$ 3,634,239
Agency fund	<u>42,207</u>
Total	<u>\$ 3,676,446</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Transfers for the fiscal year ended June 30, 2013, as reported on the fund statements, consist of the following:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	<u>\$ 50,000</u>

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

**NOTE 6 - PROPERTY TAXES**

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

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

The District receives property taxes from Hardin and Hancock Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 61,776,300	96.31	\$ 61,810,420	96.13
Public utility personal	<u>2,368,130</u>	<u>3.69</u>	<u>2,490,240</u>	<u>3.87</u>
Total	<u>\$ 64,144,430</u>	<u>100.00</u>	<u>\$ 64,300,660</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 42.25		\$ 42.25	

**NOTE 7 – INCOME TAX**

The 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 District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 8 - LONG-TERM OBLIGATIONS**

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

	Balance Outstanding <u>06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/13</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
School improvement bond, 4.46%	\$ 3,345,000	\$ -	\$ (65,000)	\$ 3,280,000	\$ 70,000
Capital lease payable, 5.625%	<u>865,216</u>	<u>-</u>	<u>(31,485)</u>	<u>833,731</u>	<u>33,281</u>
Total long-term obligations	<u>\$ 4,210,216</u>	<u>\$ -</u>	<u>\$ (96,485)</u>	<u>\$ 4,113,731</u>	<u>\$ 103,281</u>

On February 22, 2008, the District issued \$3,545,000 in general obligation School Improvement Bonds 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 bonds bear an interest rate of 4.46% and will mature on December 1, 2036.

In July 2009, the 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.

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

Fiscal Year Year Ending June 30,	School Improvement Bonds		Capital Lease Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 70,000	\$ 144,727	\$ 33,281	\$ 46,446	\$ 103,281	\$ 191,173
2015	75,000	141,494	35,179	44,548	110,179	186,042
2016	80,000	138,038	37,186	42,656	117,186	180,694
2017	85,000	134,357	39,307	40,308	124,307	174,665
2018	90,000	130,455	41,549	38,178	131,549	168,633
2019 - 2023	525,000	585,934	246,117	152,610	771,117	738,544
2024 - 2028	670,000	453,137	324,790	73,927	994,790	527,064
2029 - 2033	830,000	286,558	76,322	3,245	906,322	289,803
2034 - 2037	<u>855,000</u>	<u>80,615</u>	<u>-</u>	<u>-</u>	<u>855,000</u>	<u>80,615</u>
Total	<u>\$ 3,280,000</u>	<u>\$ 2,095,315</u>	<u>\$ 833,731</u>	<u>\$ 441,918</u>	<u>\$ 4,113,731</u>	<u>\$ 2,537,233</u>



**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$2,632,933 (including available funds of \$125,874) and an unvoted debt margin of \$64,301.

**NOTE 9 - RISK MANAGEMENT**

**A. Comprehensive**

The 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 2013, the District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>
Buildings and contents - replacement cost	\$ 23,284,361
General Liability:	
Per occurrence	12,000,000
Aggregate	14,000,000
Vehicle Liability	12,000,000
Uninsured Motorist	1,000,000
Public Employees Dishonesty	100,000

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the District has had no significantly reduced coverage in the past year.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**B. Workers' Compensation**

The District participates in the Optimal Health Initiatives Ohio Workers' Compensation Group Rating Program (the "GRP"). Each year, the participants in the GRP pay an enrollment fee to cover the costs of administering the program. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Health Benefits**

The 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 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 10 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$69,452, \$91,002 and \$95,007, respectively; 71.25 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

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

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

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

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

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$276,827, \$283,960 and \$298,486, respectively; 80.89 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$10,553 made by the District and \$7,538 made by the plan members.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

**C. Social Security System**

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$8,890, \$16,162 and \$9,691, respectively; 71.25 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,923, \$4,040 and \$4,443, respectively; 71.25 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$21,294, \$21,841 and \$22,960, respectively; 80.89 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NOTE 12 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statement of cash receipts, disbursements and change in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a cash disbursement, as opposed to assigned or committed fund cash balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

**NOTE 12 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund is as follows:

**Net Change in Fund Cash Balance**

	<u>General fund</u>
Budget basis	\$ 192,728
Funds budgeted elsewhere	1,485
Adjustment for encumbrances	16,103
Cash basis	\$ 210,316

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a cash basis. This includes the public school support fund.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 14 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 16,103
Nonmajor governmental	38,153
Total	\$ 54,256

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

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

**NOTE 15 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	82,875
Current year offset	<u>(82,875)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

***Perry & Associates***  
Certified Public Accountants, A.C.

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

December 31, 2014

Hardin Northern Local School District  
Hardin County  
11589 St. Rt. 81  
Dola, Ohio 45835

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Hardin Northern Local School District**, Hardin County, (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 31, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

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

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



***Compliance and Other Matters***

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

***Purpose of this Report***

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
*Marietta, Ohio*

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Noncompliance**

**Ohio Revised Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Administrative Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements using the modified cash basis of accounting. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot, be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District take the necessary steps to ensure the annual financial report is prepared in accordance with Generally Accepted Accounting Principles.

**Management's Response** – We did not receive a response from officials to this finding.



# Dave Yost • 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  
MAY 19, 2015**