

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2007**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Hardin Northern Local School District, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 25, 2009

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**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual – General Fund	15
Statement Of Fiduciary Net Assets – Fiduciary Funds	16
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	17
Notes to the Basic Financial Statements.....	18
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43

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Perry & Associates
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INDEPENDENT ACCOUNTANTS' REPORT

January 8, 2009

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

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Hardin Northern Local School District, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Hardin Northern Local School District
Hardin County
Independent Accountants' Report
Page 2

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

Respectfully Submitted,

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

Perry and Associates
Certified Public Accountants, A.C.

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of Hardin Northern Local School District's (the "School District") financial performance provides an overall view of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Net assets of governmental activities increased \$839,720. Business-type activities were reclassified to governmental activities effective June 30, 2006 as authorized by the Board of Education.
- General revenues accounted for \$4,370,594 in revenue or 84.8% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$785,826 or 15.2% of total revenues of \$5,156,420.
- The School District had \$4,311,621 in expenses related to government activities; only \$785,826 of these expenses was offset by program specific charges for services, grants and contributions. General revenues, however, were adequate to provide for these programs.
- Capital outlay additions of \$85,003 consisted of \$10,526 in land improvements, \$7,952 in building improvements, and \$66,525 in furniture and equipment.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District as a Whole (Continued)

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

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

In the Statement of Net Assets and the Statement of Activities, the School District has only governmental activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 as compared to fiscal year 2006. Upon recommendation of the auditor, the Board approved by resolution to reclassify proprietary funds, namely, the Food Service and Uniform Supply Funds as governmental activities as charges for services were no longer subsidizing the operations of these funds. Operating Grants and general fund transfers exceeded more than fifty percent of the revenue for these two funds.(See Note 3)

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 1
Net Assets

	Governmental Activities		Business-Type		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current Assets	\$ 3,264,692	\$ 2,384,827	\$ -	\$ 3,673	\$ 3,264,692	\$ 2,388,500
Capital Assets	1,209,781	1,282,963	-	14,627	1,209,781	1,297,590
Total Assets	4,474,473	3,667,790	-	18,300	4,474,473	3,686,090
Liabilities						
Current Liabilities	1,347,387	1,228,444	-	19,322	1,347,387	1,247,766
Long-Term Liabilities						
Due within one year	9,465	51,438	-	-	9,465	51,438
Due in more than one year	108,794	218,801	-	4,057	108,794	222,858
Total Liabilities	1,465,646	1,498,683	-	23,379	1,465,646	1,522,062
Net Assets						
Invested in Capital Assets, Net	1,224,408	1,241,974	-	14,627	1,224,408	1,256,601
Restricted	587,912	531,165	-	-	587,912	531,165
Unrestricted (Deficit)	1,196,507	395,968	-	(19,706)	1,196,507	376,262
Total Net Assets	\$ 3,008,827	\$ 2,169,107	\$ -	\$ (5,079)	\$ 3,008,827	\$ 2,164,028

Table 2 shows the changes in net assets for fiscal year 2007 compared to fiscal year 2006:

Table 2
Change in Net Assets

	Governmental Activities		Business Type Activities		Totals	
	2007	2006	2007	2006	2,007	2006
Program Revenues:						
Charges for Services	\$ 490,897	\$ 338,742	\$ -	\$ 89,819	\$ 490,897	\$ 428,561
Operating Grants and Contributions	284,793	246,538	-	37,194	284,793	283,732
Capital Grants and Contributions	10,136	8,519	-	-	10,136	8,519
General Revenues:						
Property Taxes	1,011,659	684,539	-	-	1,011,659	684,539
Income Taxes	966,807	351,665	-	-	966,807	351,665
Grants and Entitlements	2,267,842	2,250,434	-	-	2,267,842	2,250,434
Unrestricted Investment Earnings	72,473	254,892	-	183	72,473	255,075
Miscellaneous	51,813	46,896	-	-	51,813	46,896
Transfers	-	(30,020)	-	27,500	-	(2,520)
Total Revenues	5,156,420	4,152,205	-	154,696	5,156,420	4,306,901

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 2 (Continued)
Change in Net Assets

	Governmental Activities		Business Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Expenses						
Program Expenses:						
Instruction:						
Regular	2,143,626	2,062,107	-	-	2,143,626	2,062,107
Special	272,933	391,608	-	-	272,933	391,608
Vocational	172,845	193,629	-	-	172,845	193,629
Other	3,076	-	-	-	3,076	-
Support Services:						
Pupils	153,099	152,844	-	-	153,099	152,844
Instructional Staff	65,109	118,176	-	-	65,109	118,176
Board of Education	17,502	25,152	-	-	17,502	25,152
Administration	352,766	360,856	-	-	352,766	360,856
Fiscal	243,352	215,846	-	-	243,352	215,846
Operation of Maintenance of Plant	294,112	311,783	-	-	294,112	311,783
Pupil Transportation	157,311	193,758	-	-	157,311	193,758
Non-Instructional Services	161,697	-	-	154,003	161,697	154,003
Extracurricular Activities	201,226	240,978	-	-	201,226	240,978
Facilities Acquisition Construction	71,628	72,990	-	-	71,628	72,990
Interest and Fiscal Charges	1,339	1,837	-	-	1,339	1,837
Total Expenses	<u>4,311,621</u>	<u>4,341,564</u>	<u>-</u>	<u>154,003</u>	<u>4,311,621</u>	<u>4,495,567</u>
Decrease in Net Assets	<u>\$ 844,799</u>	<u>\$ (189,359)</u>	<u>\$ -</u>	<u>\$ 693</u>	<u>\$ 844,799</u>	<u>\$ (188,666)</u>

Governmental Activities

The net assets of the School District's governmental activities increased by \$844,799. Program revenue of \$785,826 and general revenues of \$4,370,594 offset total governmental expenses of \$4,311,621. Program revenues supported 18.2% of the total governmental expenses.

Several revenue sources fund the School District's governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated \$1,011,659 in fiscal year 2007. General revenues from grants and entitlements, such as the school foundation program, generated \$2,267,842. These two revenue sources represent 63.6% of total governmental revenue.

Real estate property is reappraised every six years. Hardin County had its triennial update in calendar year 2005. Although historical growth has had a positive effect on the School District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage", the tax rates applied to real property. Thus, although the School District tax valuation continues to grow, this built-in revenue limitation requires the School District to request additional school operating revenue by placing a levy on the ballot every three to five years, on average.

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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

The statement of activities shows the cost of program services and the charges for services and grants attributable to those services. Instruction costs comprise 60.1% of governmental program expenses.

The School District's Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$5,092,063 and total expenditures were \$4,379,913. The School District expenditures exceeded the revenues by \$712,150.

The School District's general fund balance increased by \$702,432. The increase from last year can be attributed primarily to the overall decrease in overall expenditures with revenues increases of state income taxes.

General Fund Budgeting Highlights

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

During fiscal year 2007, the School District amended its general fund balance. Budget revisions are presented to the Board of Education for approval. This year amendments were considered routine.

For the general fund, the final budget basis revenue estimate was \$4,488,308, which was higher than the original revenue estimate of \$4,060,074. Actual revenue on the budget basis was \$4,476,589.

The original expenditures estimate of \$3,755,214 was increased to \$4,044,741. The actual expenditures were \$3,928,345.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$1,209,781 invested in land, buildings, equipment and vehicles, net of \$2,992,833 of accumulated depreciation. The accounting for the Business-Type Activities were combined with the Governmental Activities as noted above. The table below shows a comparison of fiscal year 2007 to 2006.

Capital Assets (Net of Depreciation)	Governmental Type Activities		Business Type Activities	
	2007	2006	2007	2006
Land	\$ 20,000	\$ 20,000	\$ -	\$ -
Land Improvements	86,127	87,590	-	-
Buildings and Improvements	847,323	865,493	-	-
Furniture and Equipment	231,845	273,598	-	14,627
Vehicles	24,486	36,282	-	-
Total Capital Assets	\$ 1,209,781	\$ 1,282,963	\$ -	\$ 14,627

Hardin Northern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Long-Term Liabilities

As of June 30, 2007, the School District has \$118,259 in long term liabilities. Vested compensated absences is the only long-term liability with \$9,465 due within one year. All notes and capital leases were paid off during fiscal year 2007. Table 4 summarizes long-term liabilities that shows a comparison to fiscal year 2006.

Table 4

	Governmental Activities 2007	Governmental Activities 2006
Long Term Liabilities at Fiscal Year End	<u>2007</u>	<u>2006</u>
Permanent Improvement Tax Anticipation Note 5.15%	\$ -	\$ 25,000
Capital Lease Payable	-	15,989
Compensated Absences Payable (Vested Severance)	<u>118,259</u>	<u>229,250</u>
Total	<u>\$ 118,259</u>	<u>\$ 270,239</u>

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

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

Contacting the School District's Financial Management

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

Hardin Northern Local School District
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,396,066
Cash and Cash Equivalents:	
With Fiscal Agents	10,323
Receivables:	
Property Taxes	1,019,049
Intergovernmental	35,492
Income Tax	538,700
Accrued Interest Receivable	634
Prepaid Items	36,300
Inventory Held for Resale	1,505
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	226,623
Land	20,000
Capital assets, net of depreciation	1,189,781
 Total Assets	 4,474,473
 <u>Liabilities:</u>	
Accounts Payable	11,502
Accrued Wages	322,611
Intergovernmental Payable	98,988
Deferred Revenue	914,286
Long-Term Liabilities	
Due within one year	9,465
Due in more than one year	108,794
 Total Liabilities	 1,465,646
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	1,224,408
Restricted for:	
Capital Projects	239,248
Other Purposes	348,664
Unrestricted (deficit)	1,196,507
 Total Net Assets	 \$ 3,008,827

See accompanying notes to the basis financial statements.

Hardin Northern Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Primary government:					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 2,143,626	\$ 319,852	\$ 94,079	\$ 1,115	\$ (1,728,580)
Special	272,933	79,784	57,666	-	(135,483)
Vocational	172,845	-	1,735	-	(171,110)
Other	3,076	-	6,727	-	3,651
Support Services:					
Pupils	153,099	-	18,304	-	(134,795)
Instructional Staff	65,109	-	52,347	-	(12,762)
Board of Education	17,502	-	-	-	(17,502)
Administration	352,766	-	18,682	-	(334,084)
Fiscal	243,352	-	-	507	(242,845)
Operation and Maintenance	294,112	-	-	8,514	(285,598)
Pupil Transportation	157,311	-	-	-	(157,311)
Operation of Non-Instructional	161,697	91,261	35,253	-	(35,183)
Extracurricular Activities	201,226	-	-	-	(201,226)
Facilities and Acquisition and Construction Service	71,628	-	-	-	(71,628)
Interest and Fiscal Charge:	1,339	-	-	-	(1,339)
Total Governmental Activities	4,311,621	490,897	284,793	10,136	(3,525,795)
General Revenues:					
Taxes:					
Property taxes, levied for general purpose 933,539					
Property taxes, levied for capital project 78,120					
Income taxes, levied for general purpose 966,807					
Grants and Entitlements not Restricted to Specific Purpose 2,267,842					
Unrestricted investment earning 72,473					
Miscellaneous 51,813					
Total General Revenues 4,370,594					
Change in Net Asset: 844,799					
Net Assets, June 30, 2006, Restated (Note 3) 2,164,028					
Net Assets, June 30, 2007 \$ 3,008,827					

See accompanying notes to the basic financial statement

Hardin Northern Local School District

*Balance Sheet
Governmental Funds
June 30, 2007*

	<u>General</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,095,031	\$ 227,244	\$ 73,791	\$ 1,396,066
Cash and Cash Equivalents:				
With Fiscal Agents	-	-	10,323	10,323
Receivables:				
Taxes	943,152	75,897	-	1,019,049
Intergovernmental	-	-	35,492	35,492
Income Taxes	538,700	-	-	538,700
Accrued Interest	634	-	-	634
Interfund Receivable	4,700	-	-	4,700
Prepaid Items	31,927	-	4,373	36,300
Inventory for Resale	-	-	1,505	1,505
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	226,623	-	-	226,623
 Total Assets	<u>\$ 2,840,767</u>	<u>\$ 303,141</u>	<u>\$ 125,484</u>	<u>\$ 3,269,392</u>
 <u>Liabilities:</u>				
Accounts Payable	\$ 7,690	\$ -	\$ 3,812	\$ 11,502
Accrued Wages	290,823	-	31,788	322,611
Intergovernmental Payable	85,354	-	13,634	98,988
Interfund Payable	-	-	4,700	4,700
Deferred Revenue	1,053,356	68,043	32,103	1,153,502
 Total Liabilities	<u>1,437,223</u>	<u>68,043</u>	<u>86,037</u>	<u>1,591,303</u>
 <u>Fund Balances:</u>				
Reserved for Encumbrances	17,381	-	1,541	18,922
Reserved for Property Taxes Unappropriable	69,363	7,854	-	77,217
Reserved for Textbooks	172,229	-	-	172,229
Reserved for Budget Stabilization	17,316	-	-	17,316
Reserved for Capital Maintenance	37,078	-	-	37,078
Unreserved, Reported in:				
General Fund	1,090,177	-	-	1,090,177
Special Revenue Funds	-	-	33,756	33,756
Capital Projects Funds	-	227,244	4,150	231,394
 Total Fund Balances	<u>1,403,544</u>	<u>235,098</u>	<u>39,447</u>	<u>1,678,089</u>
 Total Liabilities and Fund Balances	<u>\$ 2,840,767</u>	<u>\$ 303,141</u>	<u>\$ 125,484</u>	<u>\$ 3,269,392</u>

See accompanying notes to the basic financial statements.

Hardin Northern Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2007*

Total Governmental Fund Balances \$ 1,678,089

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 1,209,781

Other long-term assets are not available to pay current
 period expenditures and therefore are deferred in the funds

Deferred Revenue-Property Taxes	27,546
Deferred Revenue-Intergovernmental Grants	32,103
Deferred Revenue-Income Taxes	179,567

Some liabilities are not due and payable in the current period
 and therefore are not reported in the funds:

Compensated Absences Payable	(118,259)
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Total Net Assets \$ 3,008,827

See accompanying notes to the basic financial statements.

Hardin Northern Local School District
*Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007*

	<u>General</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 941,836	\$ 78,120	\$ -	\$ 1,019,956
Intergovernmental	2,267,842	10,136	285,946	2,563,924
Investment Income	72,346	-	127	72,473
Tuition	301,631	-	-	301,631
Extracurricular Activities	-	-	79,784	79,784
Charges for Services	-	-	91,261	91,261
Classroom Materials and Fees	18,221	-	-	18,221
Income Taxes	893,000	-	-	893,000
Miscellaneous	47,843	-	3,970	51,813
Total Revenues	<u>4,542,719</u>	<u>88,256</u>	<u>461,088</u>	<u>5,092,063</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,119,849	6,223	100,822	2,226,894
Special	185,971	-	92,829	278,800
Vocational	175,500	-	765	176,265
Other	-	-	3,076	3,076
Support Services				
Pupils	136,921	-	22,667	159,588
Special Instructor	33,528	-	31,215	64,743
Board	15,707	-	1,795	17,502
Administrative	343,917	-	19,525	363,442
Fiscal	241,028	2,059	-	243,087
Operation and Maintenance	247,035	27,283	-	274,318
Pupil Transportation	181,928	-	-	181,928
Operation of Non-Instructional	-	-	153,827	153,827
Extracurricular Activities	116,165	-	77,886	194,051
Debt Service:				
Principal Retirement	15,989	-	25,000	40,989
Interest and Fiscal Charge	749	-	654	1,403
Total Expenditures	<u>3,814,287</u>	<u>35,565</u>	<u>530,061</u>	<u>4,379,913</u>
Excess of Revenues Over (Under) Expenditures	<u>728,432</u>	<u>52,691</u>	<u>(68,973)</u>	<u>712,150</u>
Other Financing Sources (Uses)				
Transfers In	68,000	-	64,842	132,842
Transfers Out	(94,000)	(25,654)	(13,188)	(132,842)
Total Other Sources (Uses)	<u>(26,000)</u>	<u>(25,654)</u>	<u>51,654</u>	<u>-</u>
Net Change in Fund Balance	702,432	27,037	(17,319)	712,150
Fund Balances at Beginning of Year, restated (Note 3)	<u>701,112</u>	<u>208,061</u>	<u>56,766</u>	<u>965,939</u>
Fund Balances End of Year	<u>\$ 1,403,544</u>	<u>\$ 235,098</u>	<u>\$ 39,447</u>	<u>\$ 1,678,089</u>

See accompanying notes to the basic financial statement:

Hardin Northern Local School District
*Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances-Total Governmental Funds \$ 712,150

Amounts reported in governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

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

Capital Outlays	\$ 42,185	
Depreciation Expense	<u>(129,994)</u>	(87,809)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	\$ (8,297)	
Income Taxes	73,807	
Intergovernmental Grants	<u>(1,153)</u>	64,357

Repayment of note and capital lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal Payments		40,989
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In the Statement of Activities, interest is accrued on an outstanding note, whereas in governmental funds, an interest expenditure is reported when due.

64

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

Compensated Absences		<u>115,048</u>
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Change in Net Assets of Governmental Activities	<u>\$ 844,799</u>
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See accompanying notes to the basic financial statements.

Hardin Northern School District
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007*

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 892,648	\$ 922,328	\$ 917,593	\$ (4,735)
Intergovernmental	2,213,715	2,302,883	2,302,883	-
Investment Income	45,000	75,030	75,030	-
Tuition	238,100	301,632	301,632	-
Classroom Materials and Fees	15,911	20,495	18,221	(2,274)
Income Taxes	647,000	745,387	745,387	-
Miscellaneous Revenue	3,000	12,745	12,735	(10)
	4,055,374	4,380,500	4,373,481	(7,019)
Total Revenue				
Expenditures:				
Current:				
Instruction:				
Regular	2,203,909	2,203,908	2,106,836	97,072
Special	274,593	274,592	201,841	72,751
Vocational	192,748	192,748	174,897	17,851
Support Services:				
Pupils	145,352	145,352	137,753	7,599
Instructional Staff	40,203	40,203	38,985	1,218
Board of Education	20,362	20,362	15,743	4,619
Administration	315,697	315,697	347,509	(31,812)
Fiscal	215,941	215,941	243,062	(27,121)
Operation and Maintenance	76,612	245,864	249,949	(4,085)
Pupil Transportation	78,597	183,628	185,947	(2,319)
Extracurricular Activities	106,200	104,708	115,085	(10,377)
Debt Service:				
Principal Retirement	-	15,989	15,989	-
Interest and Fiscal Charges	-	749	749	-
	3,670,214	3,959,741	3,834,345	125,396
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	385,160	420,759	539,136	118,377
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	-	35,108	35,108	-
Transfers In	-	68,000	68,000	-
Transfer Out	(80,000)	(80,000)	(94,000)	(14,000)
Advance In	4,700	4,700	-	(4,700)
Advance Out	(5,000)	(5,000)	-	5,000
	(80,300)	22,808	9,108	(13,700)
Total Other Sources (Uses)				
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	304,860	443,567	548,244	104,677
Fund Balances (Deficit) at Beginning of Year	739,288	739,288	739,288	-
Prior Year Encumbrances Appropriated	9,051	9,051	9,051	-
Fund Balances (Deficit) at End of Year	\$ 1,053,199	\$ 1,191,906	\$ 1,296,583	\$ 104,677

See accompanying notes to the basic financial statements.

Hardin Northern Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 307	\$ 35,023
Total Current Assets	307	35,023
Total Assets	307	\$ 35,023
 <u>Liabilities:</u>		
Accounts Payable	-	\$ 560
Due to Students	-	34,463
Total Current Liabilities	-	\$ 35,023
Total Liabilities	-	
 <u>Net Assets:</u>		
Unrestricted:		
Held in Trust for Scholarship	307	
Total Net Assets	\$ 307	

See accompanying notes to the basic financial statements.

Hardin Northern Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007

	<u>Private Purpose</u>	<u>Trust</u>
	<u>Scholarship</u>	
<u>Additions:</u>		
Other Operating Revenue	\$	-
Total Additions		-
<u>Deductions</u>		
Other Operating Expenses		-
Total Deductions		-
Change in Net Assets		-
Net Assets Beginning of Year		<u>307</u>
Net Assets End of Year	<u>\$</u>	<u>307</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, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Hardin Northern Local School District (School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1952. The School District serves an area of approximately eighty-eight miles. It is located in Hardin and Hancock Counties and includes all of Blanchard and Washington Townships and portions of Pleasant, Cessna, Van Buren and Jackson Townships. It is staffed by forty certificated employees and nineteen non-certificated personnel who provide services to four hundred eighty-nine students and other community members. Local school districts are supervised by the county board of education, a separate entity.

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

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

The School District participates in six jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations are the Western Ohio Computer Organization, Apollo Career Center, West Central Regional Professional Development Center, Hardin County Schools Consortium Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., West Central Ohio Special Education Regional Resource Center, Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Hardin Northern Public Library. These organizations are discussed in Notes 18, 19, and 20 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

Permanent Improvement Fund

The permanent improvement capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds.

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are meant are also recorded as deferred revenue.

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

Expenses/Expenditures

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2007, investments were limited to nonnegotiable certificates of deposit, savings accounts and STAR Ohio. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a maturity of one year or less at the time of purchase is reported at cost or amortized cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2007. STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$72,346, which includes \$17,402 assigned from other School District Funds.

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish budget stabilization, capital maintenance, and textbook reserves. The budget reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. The capital maintenance reserve is required to be spent only on capital expenditures to maintain school property and equipment. The textbook reserve is required to be spent only on textbooks for the School District. At fiscal year end, restricted assets totaled \$226,623.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchased by the School District are reported as cash equivalents.

I. Inventories

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

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

J. Capital Assets

General capital assets are those assets generally resulting from expenditures in the government funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the Food Service enterprise fund were combined with the governmental activities at June 30, 2006 with a board resolution.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500 dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and budget stabilization in the governmental funds. The principal amount of the private purpose trust endowments is reserved in the fiduciary funds.

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

O. Interfund Transactions

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

P. Estimates

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

NOTE 3 - PRIOR PERIOD RECLASSIFICATION OF BUSINESS-TYPE ACTIVITIES

The Board approved, by resolution, to reclassify the proprietary funds, namely, the Food Service and Uniform Supply Funds as governmental activities. This was due to charges for services no longer subsidizing the operations of these funds. Non-operating Grants and general fund transfers exceeded fifty percent of the revenue. The following shows the restated fund balances and net assets at June 30, 2006:

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 - PRIOR PERIOD RECLASSIFICATION OF BUSINESS-TYPE ACTIVITIES (Continued)

	Permanent			Total	Proprietary		Government Wide	
	General	Improvement	Nonmajor		Enterprise	Fiduciary	Governmental	Business-
	Fund	Fund	Funds	Governmental	Funds	Funds	Activities	Type Activities
Fund Balances/Net Assets June 30, 2006	\$ 701,112	\$ 208,061	\$ 72,415	\$ 981,588	\$ (5,079)	\$ 307	\$ 2,169,107	\$ (5,079)
Reclassification of Enterprise Funds								
Equity In Pooled Cash	-	-	68	68	(68)	-	68	(68)
Accounts Receivable	-	-	2,959	2,959	-	-	2,959	(2,959)
Intergovernmental Receivable	-	-	-	-	(2,959)	-	-	-
Prepaid Items	-	-	2,514	2,514	(2,514)	-	2,514	(2,514)
Inventory for Resale	-	-	2,832	2,832	(2,832)	-	2,832	(2,832)
Capital Assets, Net of Depreciation	-	-	-	-	(14,627)	-	14,627	(14,627)
Accrued Wages	-	-	(13,503)	(13,503)	13,503	-	(13,503)	13,503
Intergovernmental Payable	-	-	(5,819)	(5,819)	5,819	-	(5,819)	5,819
Interfund Payable	-	-	(4,700)	(4,700)	4,700	-	(4,700)	4,700
Compensated Absences Payable	-	-	-	-	4,057	-	(4,057)	4,057
Restated Fund Balances/Net Assets, June 30, 2006	\$ 701,112	\$ 208,061	\$ 56,766	\$ 965,939	\$ -	\$ 307	\$ 2,164,028	\$ -

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are the following:

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance:	General
Budget Basis	\$ 548,244
Adjustments:	
Revenue:	
Accrued FY 2006, Received In Cash FY 2007	464,238
Accrued FY 2007, Not yet Received In Cash	(295,000)
Expenditure accruals	
Accrued FY 2007, Not yet Paid In Cash	306,278
Accrued FY 2006, Paid In Cash FY 2007	(311,291)
Encumbrances	25,071
Other Financial Sources/Uses:	
Refunds	(35,108)
GAAP Basis	\$ 702,432

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principle and interest by the United States;
2. Bonds, notes, debentures, or other obligations of securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchased agreement must exceed the principal value of the agreements by at least two percent and be marked to market to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code;
6. The State Treasurer's Investment pool;
7. Time certificates of deposit or savings deposit accounts including but not limited to passbook accounts;
8. Commercial paper and bankers acceptances if training requirements have been met;

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

Deposits

At fiscal year end June 30, 2007, the carrying amount of the School District's deposits was \$335,960 and the bank balance was \$417,359. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, \$217,359 of the bank balance was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Depository Insurance Corporation.

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

Investments

As of June 30, 2007, the School District's investments total \$1,332,382, which is maintained in a STAR Ohio account. At June 30, 2007, STAR Ohio received the Standard & Poor's highest credit rating of AAAm.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2007 were levied after April 1, 2007, on the assessed values as of December 31, 2006, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2007, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hardin and Hancock Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2007 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6 - PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2007, was \$69,363 in the General Fund and \$7,854 in the Permanent Improvement Fund.

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

	2007 First		2006 Second	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential/Commercial	\$ 38,526,620	91.44%	\$ 38,382,880	91.21%
Public Utility	2,752,090	6.53%	2,670,600	6.35%
Tangible Personal Property	856,732	2.03%	1,029,661	2.45%
Total Assessed Value	\$ 42,135,442	100.00%	\$ 42,083,141	100.00%
Tax Rate per \$1,000 of assessed valuation	\$ 39.05		\$ 39.05	

NOTE 7 - INCOME TAX

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2007, consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Receivables</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
School Income Taxes	\$ <u>538,700</u>
Total Income Taxes Receivable	538,700
<u>Property Taxes:</u>	
General:	
Current	917,593
Delinquent	<u>25,559</u>
Total General Fund	943,152
Permanent Improvement:	
Current	73,910
Delinquent	<u>1,987</u>
Total Permanent Improvement	75,897
<u>Intergovernmental:</u>	
Food Service	4,520
Title I	14,728
Title VI	1,088
Drug Free Schools	1,183
Title IID	<u>13,973</u>
Total Intergovernmental Receivables	35,492
Accrued Interest Receivable	<u>634</u>
Total Accrued Interest Receivable	634
Interfund Receivable	<u>4,700</u>
Total Interfund Receivable	<u>4,700</u>
Total Governmental Activities	<u>1,598,575</u>

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Restated Balance 06/30/06	Additions	Deductions	Balance 06/30/07
Governmental Activities				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Land Improvements	169,314	10,526	-	179,840
Buildings and Improvements	2,196,774	7,952	-	2,204,726
Furniture and Equipment	1,279,759	66,525	-	1,346,284
Vehicles	451,764	-	-	451,764
Totals at Historical Cost	<u>\$ 4,117,611</u>	<u>\$ 85,003</u>	<u>\$ -</u>	<u>\$ 4,202,614</u>
	Balance 06/30/06	Additions	Deductions	Balance 06/30/07
Less Accumulated Depreciation:				
Land Improvements	\$ 81,724	\$ 11,989	\$ -	\$ 93,713
Buildings and Improvements	1,331,281	26,122	-	1,357,403
Furniture and Equipment	1,034,352	80,087	-	1,114,439
Vehicles	415,482	11,796	-	427,278
Total Accumulated Depreciation	<u>2,862,839</u>	<u>129,994</u>	<u>-</u>	<u>2,992,833</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,254,772</u>	<u>\$ (44,991)</u>	<u>\$ -</u>	<u>\$ 1,209,781</u>

* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 19,924
Vocational	1,806
Support Service:	
Administration	1,292
Fiscal	506
Operation and Maintenance of Plant	22,624
Operation of Non-Instructional	4,809
Extracurricular	7,405
Facilities Acquisition and Construction Services	71,628
Total Depreciation Expense	<u>\$ 129,994</u>

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 - RESTRICTED ASSETS

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

Assets:

Equity in Pooled Cash and Cash Equivalents:

General Fund:	
Budget stabilization	\$ 17,316
Reserved for Capital Maintenance	37,078
Reserved for Textbooks	<u>172,229</u>
Total Governmental Activities Restricted Assets	<u>\$ 226,623</u>

NOTE 11 - INTERFUND TRANSFERS

Interfund transfers during fiscal year 2007 consisted of the following individual funds:

<u>Fund:</u>	<u>Transfers Out</u>	<u>Transfer In</u>
General	\$ 94,000	\$ 69,492
Permanent Improvement	25,654	-
Non-Major Funds:		
Bond Retirement	-	25,654
Food Service	8,300	34,300
Title IV	162	162
Title V	129	129
Title IIA	4,597	4,597
Agency	<u>1,492</u>	<u>-</u>
TOTALS	<u>\$ 134,334</u>	<u>\$ 134,334</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 12 - RISK MANAGEMENT

A. Insurance Coverage

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School District contracted with the Schools of Risk Sharing Authority for the following insurance coverage.

Buildings and Contents - replacement cost (\$1,000 deductible)	\$10,047,398
General Liability:	
Per Occurrence	6,000,000
Aggregate	8,000,000
Vehicle Liability	6,000,000
Uninsured Motorist	1,000,000
Public Employee Dishonesty	50,000

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 - RISK MANAGEMENT (Continued)

A. Insurance Coverage (Continued)

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

B. Workers' Compensation

For fiscal year 2007, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Health Benefits

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the fiscal year June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The employer rate for period ending June 30, 2007 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the period ending June 30, 2007, 2006 and 2005 was \$56,747, \$51,708, and \$56,151; 92.7 percent was contributed for fiscal year June 30, 2007 and 100 percent was made for fiscal years 2006 and 2005. \$1,989 represents the unpaid contribution for the period ended 2007. The balance outstanding is reflected as an intergovernmental payable.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems

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

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

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

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

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

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

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

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

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

For the fiscal year June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The School District 's required contribution for pension obligations for the fiscal year June 30, 2007, 2006 and 2005 was \$214,477, \$221,598, and \$259,895; 95.4 percent was contributed for fiscal year June 30, 2007 and 100 percent was made for fiscal years 2006 and 2005. \$9,891 represents the unpaid contribution for fiscal year 2007. The balance outstanding is reflected as an intergovernmental payable.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2007 Comprehensive Annual Financial Report will be available after January 1, 2007. Additional information or copies of STRS Ohio's 2007 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2007, the healthcare allocation is 3.42 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Net health care costs for the year ending June 30, 2006 (the latest information available), were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of recipients currently receiving health care benefits is approximately 59,492.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year 2007, the Board allocated employer contributions equal to 3.42 percent of covered payroll and adding the surcharge due to the Health Care Reserve Fund. For the School District, the amount to fund health care benefits, including surcharge, equaled \$28,270 for the fiscal year 2007.

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physicians' fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Stabilization Fund was \$3.5 billion on June 30, 2006. For the School District, this amount equaled \$18,682 for the fiscal year ended June 30, 2007.

For the fiscal year ended June 30, 2006 (the latest information available) net health care costs paid by STRS Ohio were \$282,743,000. There were 119,184 eligible benefit recipients.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Health Care Benefits

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

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System/State Teachers Retirement System. As of June 30, 2007, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 16 - LONG-TERM LIABILITIES

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

	Principal Outstanding 06/30/06	Additions	Reductions	Principal Outstanding 06/30/07	Due Within One Year
Governmental Activities:					
Permanent Improvement Tax Anticipation Note 5.15%	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -
Compensated Absences	233,307	-	115,048	118,259	9,465
Capital Lease Payable	15,989	-	15,989	-	-
Total Long-Term Liabilities	<u>\$ 274,296</u>	<u>\$ -</u>	<u>\$ 156,037</u>	<u>\$ 118,259</u>	<u>\$ 9,465</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital Leases were paid from the General Fund. Tax anticipation notes were paid off in the debt service fund.

The School District's overall debt margin was \$3,792,190 with an unvoted debt margin of \$42,135 at June 30, 2007.

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 17 - SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District was also required to set aside money for budget stabilization. For fiscal year 2007, only the portion of the budget stabilization from certain Bureau of Workers' Compensation refunds whose use is restricted by S.B. 345 continues to be set-aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and Bureau of Worker's Compensation refunds during fiscal year 2007:

	Textbook Reserve	Capital Maintenance Reserve	Bureau of Workers Compensation Refunds	Total
Balance, June 30, 2006	\$ 236,684	\$ -	\$ 17,316	\$ 254,000
Required Set-Aside	77,502	77,502	-	155,004
Qualifying Expenditures	<u>(141,957)</u>	<u>(40,424)</u>	<u>-</u>	<u>(182,381)</u>
Balance, June 30, 2007	<u>\$ 172,229</u>	<u>\$ 37,078</u>	<u>\$ 17,316</u>	<u>\$ 226,623</u>
Amount Carried Forward to Fiscal Year 2008				\$ 226,623

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. This organization is governed by a board of directors consisting of 14 members: the superintendent of the fiscal agent Shelby County Education Service Center, two superintendents from each county that is represented, one treasurer representative from the School Districts, student services representative from the school districts, and a non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained from the Director, 129 East Court Street, Sidney, Ohio 45365.

B. Apollo Career Center

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. West Central Regional Professional Development Center

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

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

D. Hardin County Schools Consortium Local Professional Development Committee

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

E. Northwestern Ohio Educational Research Council, Inc.

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

F. West Central Ohio Special Education Regional Resource Center

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 19 - INSURANCE POOLS

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

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

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

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

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

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

NOTE 20 - RELATED ORGANIZATION

The Hardin Northern Public Library is a distinct subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Hardin Northern Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Hardin Northern Public Library, Clerk/Treasurer, P.O. Box 114, 153 North Main Street, Dunkirk, Ohio 45836.

NOTE 21 --STATE SCHOOL FUNDING DECISION

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

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

**HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 22 - CONTINGENT LIABILITIES

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

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

Perry & Associates
Certified Public Accountants, A.C.

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(304) 422-2203

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(740) 373-0056

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

January 8, 2009

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of **Hardin Northern Local School District, Hardin County, Ohio** (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Internal Control Over Financial Reporting (continued)

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

Compliance and Other Matters

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

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

HARDIN NORTHERN LOCAL SCHOOL DISTRICT
HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 7, 2009