



Mary Taylor, CPA
Auditor of State

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Northridge Local School District
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, (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 fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, 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 3, 2008, 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.

Managements 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditure Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

January 3, 2008

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

The discussion and analysis of Northridge Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$749,755, which represents an 8.2 percent increase from fiscal year 2006.
- General revenues accounted for \$17,585,756 in revenue or 77.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, interest, and contributions, and capital grants, interest, and contributions accounted for \$5,159,683 or 22.7 percent of total revenues of \$22,745,439.
- The School District had \$21,995,684 in expenses; only \$5,159,683 of these expenses was offset by program specific charges for services, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$17,585,756 were adequate to cover these programs.
- The General Fund had \$17,912,299 in revenues and \$16,728,064 in expenditures. The General Fund's balance increased \$1,180,735 from fiscal year 2006.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Northridge Local 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

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 fiscal year 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 fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School District only reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. 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 fund is the General Fund.

Governmental Funds – Most 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 fiscal 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 to 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.

Fiduciary Funds – The School District's only fiduciary fund is an agency fund. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal years 2007 and 2006:

Table 1			
Net Assets			
Governmental Activities			
	2007	2006	Change
Assets:			
Current and Other Assets	\$18,880,427	\$18,533,482	\$346,945
Capital Assets	13,501,504	14,224,909	(723,405)
Total Assets	32,381,931	32,758,391	(376,460)
Liabilities:			
Long-Term Liabilities	13,104,386	13,378,944	(274,558)
Other Liabilities	9,414,963	10,266,620	(851,657)
Total Liabilities	22,519,349	23,645,564	(1,126,215)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,003,034	2,401,512	(398,478)
Restricted	1,502,938	1,135,700	367,238
Unrestricted	6,356,610	5,575,615	780,995
Total Net Assets	\$9,862,582	\$9,112,827	\$749,755

Total assets of governmental activities decreased by \$376,460, mainly because of the decrease in capital assets which was the result of fiscal year 2007 depreciation expense outpacing additions. Liabilities decreased by \$1,126,215 from fiscal year 2006. The decrease was mainly the result of the \$330,000 debt payments and a decrease in deferred revenue. Deferred revenue represents the amount of property tax revenue expected for collection during fiscal year 2008. The decrease is the result of the continued phase out of the personal property tax due to House Bill 66.

In total, net assets increased \$749,755. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased by \$780,995. This was the result of a full fiscal year of collections on the additional 8.75 mill levy. During fiscal year 2006, the School District only collected six months of tax revenue for this levy. Invested in capital assets decreased by \$398,478 due to a decrease in capital assets resulting from current fiscal year depreciation expense. Restricted net assets increased \$367,238 mainly the result of the annual sinking fund payments to the escrow agent.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

Table 2 shows the changes in net assets for the fiscal years 2007 and 2006.

**Table 2
Changes in Net Assets**

	2007	2006	Change
Revenues:			
Program Revenues:			
Charges for Services	\$650,437	\$674,281	(\$23,844)
Operating Grants, Interest and Contributions	4,473,817	4,343,060	\$130,757
Capital Grants, Interest and Contributions	35,429	37,960	(\$2,531)
Total Program Revenues	5,159,683	5,055,301	104,382
General Revenues:			
Property Taxes	10,382,413	10,193,753	188,660
Grants and Entitlements not Restricted to Specific Programs	6,651,961	5,849,483	802,478
Investment Earnings	488,705	350,324	138,381
Gifts and Donations	21,239	28,510	(7,271)
Miscellaneous	41,438	31,655	9,783
Total General Revenues	17,585,756	16,453,725	1,132,031
Total Revenues	22,745,439	21,509,026	1,236,413
Program Expenses:			
Instruction:			
Regular	9,000,616	8,950,473	50,143
Special	2,878,782	2,869,920	8,862
Vocational	449,621	442,134	7,487
Student Intervention Services	315,006	249,172	65,834
Support Services:			
Pupils	1,479,648	1,369,088	110,560
Instructional Staff	605,213	594,984	10,229
Board of Education	24,149	24,833	(684)
Administration	1,704,913	1,749,415	(44,502)
Fiscal	406,543	372,971	33,572
Business	\$219,807	\$176,720	\$43,087
Operation and Maintenance of Plant	1,988,013	1,878,555	109,458
Pupil Transportation	853,619	909,119	(55,500)
Central	51,316	45,291	6,025
Operation of Non-Instructional Services	879,616	944,669	(65,053)
Extracurricular Activities	784,705	795,982	(11,277)
Interest and Fiscal Charges	354,117	356,524	(2,407)
Total Expenses	21,995,684	21,729,850	\$265,834
Change in Net Assets	749,755	(220,824)	
Net Assets at Beginning of Year	9,112,827	9,333,651	
Net Assets at End of Year	\$9,862,582	\$9,112,827	

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

Governmental Activities

In total, revenues increased by \$1,236,413 and expenses increased by \$265,834 for a net difference of \$970,579 from fiscal year 2006.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 45.6 percent of revenues for governmental activities for the School District for fiscal year 2007. The increase in property tax revenue of \$188,660 was due to fiscal year 2007 being the first full year of collections of the additional 8.75 mill levy.

The increase in operating grants, interest and contributions was the result in the School District receiving more State and Federal grant monies.

The increase in grants and entitlements was due to increased personal property tax reimbursements from the State of Ohio under House Bill 66.

Investment earnings increased due to an increase in interest rates and a more aggressively managed investment program.

Overall expense remained constant increasing only \$265,834. This is a result of tight budgetary monitoring.

Pupils expenses increased due to more monies available to be spent on State and Federal grant programs.

During fiscal year 2007, Operation and Maintenance of Plant showed an increase primarily due to increased utility costs, as well as upkeep to new facilities.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$12,644,025	(\$9,625,620)	\$12,511,699	(\$9,796,235)
Support Services:				
Pupils	1,479,648	(1,113,555)	1,369,088	(1,086,398)
Instructional Staff	605,213	(431,524)	594,984	(278,050)
Board of Education	24,149	(24,149)	24,833	(24,833)
Administration	1,704,913	(1,499,056)	1,749,415	(1,615,406)
Fiscal	406,543	(321,587)	372,971	(255,688)
Business	219,807	(219,807)	176,720	(176,720)
Operation and Maintenance of Plant	1,988,013	(1,912,492)	1,878,555	(1,794,463)
Pupil Transportation	853,619	(601,072)	909,119	(695,508)
Central	51,316	(45,220)	45,291	(38,922)
Operation of Non-Instructional Services	879,616	(38,585)	944,669	30,576
Extracurricular Activities	784,705	(649,217)	795,982	(586,378)
Interest and Fiscal Charges	354,117	(354,117)	356,524	(356,524)
Total Expenses	\$21,995,684	(\$16,836,001)	\$21,729,850	(\$16,674,549)

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,931,783 and expenditures of \$21,541,764. The net change in fund balances for the fiscal year in the General Fund was \$1,180,735.

The net change in fund balance in the General Fund was caused by an increase in revenues from 2006. The main increases were in property taxes and intergovernmental revenues because fiscal year 2007 was the first full year of collection of the additional 8.75 mill levy.

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 General Fund.

During the course of the fiscal year 2007, the School District amended its annual appropriations several times. Adjustments of \$3,930,101 from original appropriations were made to accurately come up with final appropriations of \$18,918,449. The final appropriations were made in June. The adjustment was necessary because the School District originally overestimated regular and special instruction appropriations.

The Board of Education and the administration make dollars available to offer a comprehensive academic curriculum with a wide range of academic choices such as gifted education, vocational programs, and college preparatory. The School District also provides speech and language therapy, as well as psychological services and counseling. The School District offers opportunities for students to participate in a wide range of extracurricular activities. The School District's mission is "Educating Today for Tomorrow's Success." This goal is kept in mind at the time budgets are created and when final expenditures are made. This mission statement guides the School District in all phases of operation.

For the General Fund, the budget basis revenue increased \$281,953 from the original budgeted estimates. The change was mainly in interest revenue due to an increase in interest rates and a more aggressively managed investment program. Actual revenues matched final budget basis revenue.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

Capital Assets

At the end of the fiscal year 2007, the School District had \$13,501,504 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2007 balances compared to fiscal year 2006.

**Table 4
Capital Assets (Net of Depreciation) at June 30,**

	2007	2006
Land	\$1,285,538	\$1,285,538
Land Improvements	503,427	558,679
Buildings and Improvements	10,854,113	11,369,399
Furniture and Equipment	768,197	872,868
Vehicles	90,229	138,425
Totals	\$13,501,504	\$14,224,909

Overall capital assets decreased \$723,405 from fiscal year 2006 to fiscal year 2007 due to depreciation expense of \$907,041 exceeding additions of \$183,636.

For more information on capital assets, refer to Note 8 of the basic financial statements.

Debt Administration

At June 30, 2007, the School District had \$7,105,000 in bonds and loans outstanding, as well as \$176,345 of accretion on capital appreciation bonds outstanding and a premium on bonds in the amount of \$107,607. \$335,000 represents the amount of bonds and loans due during fiscal year 2008. The School District also had capital leases payable at fiscal year-end of \$4,500,000.

During fiscal year 2004, the School District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of \$4,500,000 for building renovations. The School District makes annual interest payments to the lesser in the amount of \$30,600 and annual sinking fund payments to the escrow agent in the amount of \$229,555. On November 19, 2018, the \$4,500,000 principal is due, along with another \$30,600 in interest.

Table 5 summarizes the debt outstanding:

**Table 5
Outstanding Debt, at Fiscal Year-End
Governmental Activities**

	2007	2006
Energy Conservation Loan	\$560,000	\$660,000
School Improvement Bonds	6,545,000	6,775,000
Amortization of Premium	107,607	112,731
Accretion on Capital Appreciation Bonds	176,345	128,835
Totals	\$7,388,952	\$7,676,566

The School District's overall legal debt margin was \$9,316,621, the energy conservation loan debt margin was \$1,000,737, and the unvoted debt margin was \$173,415 at June 30, 2007. For more information on debt administration, refer to Note 14 of the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

Current Financial Issues and Concerns

The School District is proud of its community support of the public schools. The building facilities project as well as the QZAB projects in progress will help keep the School District facilities in excellent physical condition and allow the Board of Education and administration to provide a stable and safe environment for students to learn. The Board of Education recognizes the expectations of the community and has allocated the resources to meet these expectations.

The School District has planned budget cuts for fiscal year 2008, fiscal year 2009, and fiscal year 2010. House bill 66 created major changes in school funding. A primary source of revenue will be eliminated by 2010, and the State hold harmless clause with it. The School District has formed a long range planning committee to address this important issue and others that will be facing the School District now and in the future.

In conclusion, the Northridge Local School District has committed itself to financial excellence for many years. The School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future and to provide the best educational opportunities to its children.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mary Hellyer, Treasurer, at Northridge Local School District, 2011 Timber Lane, Dayton, Ohio 45414, or email at mhellyer@northridge-montgomery.k12.oh.us.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,350,531
Cash and Cash Equivalents in Segregated Accounts	2,000
Accrued Interest Receivable	10,786
Intergovernmental Receivable	154,807
Accounts Receivable	2,374
Prepaid Items	14,301
Materials and Supplies Inventory	15,999
Inventory Held for Resale	16,541
Property Taxes Receivable	9,517,893
Deferred Charges	106,530
Investments with Escrow Agent	688,665
Nondepreciable Capital Assets	1,285,538
Depreciable Capital Assets, Net	12,215,966
Total Assets	32,381,931
Liabilities:	
Accounts Payable	2,957
Retainage Payable	80,144
Accrued Wages and Benefits Payable	1,009,407
Matured Compensated Absences Payable	138,676
Accrued Interest Payable	41,344
Intergovernmental Payable	505,521
Deferred Revenue	7,636,914
Long-Term Liabilities:	
Due Within One Year	460,128
Due in More Than One Year	12,644,258
Total Liabilities	22,519,349
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,003,034
Restricted for:	
Debt Service	845,907
Capital Outlay	102,221
Food Service	439,612
Other Purposes	62,561
Set-Asides	52,637
Unrestricted	6,356,610
Total Net Assets	\$9,862,582

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Interest and Contributions</u>	<u>Capital Grants, Interest and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$9,000,616	\$94,691	\$1,165,682		(\$7,740,243)
Special	2,878,782	138	1,423,851		(1,454,793)
Vocational	449,621		18,172		(431,449)
Student Intervention Services	315,006		315,871		865
Support Services:					
Pupils	1,479,648		366,093		(1,113,555)
Instructional Staff	605,213		173,689		(431,524)
Board of Education	24,149				(24,149)
Administration	1,704,913	22,869	182,988		(1,499,056)
Fiscal	406,543		84,956		(321,587)
Business	219,807				(219,807)
Operation and Maintenance of Plant	1,988,013		69,174	\$6,347	(1,912,492)
Pupil Transportation	853,619	161,230	62,235	29,082	(601,072)
Central	51,316		6,096		(45,220)
Operation of Non-Instructional Services	879,616	236,021	605,010		(38,585)
Extracurricular Activities	784,705	135,488			(649,217)
Interest and Fiscal Charges	354,117				(354,117)
Total Governmental Activities	<u>\$21,995,684</u>	<u>\$650,437</u>	<u>\$4,473,817</u>	<u>\$35,429</u>	<u>(16,836,001)</u>
General Revenues:					
Property Taxes Levied for:					
					9,903,486
					478,927
					6,651,961
					488,705
					21,239
					41,438
					<u>17,585,756</u>
					749,755
					9,112,827
					<u>\$9,862,582</u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$7,166,078	\$1,102,734	\$8,268,812
Cash and Cash Equivalents in Segregated Accounts		2,000	2,000
Receivables:			
Property Taxes	9,015,717	502,176	9,517,893
Accounts	2,374		2,374
Intergovernmental	10,786	144,021	154,807
Accrued Interest	10,786		10,786
Materials and Supplies Inventory	12,144	3,855	15,999
Inventory Held for Resale		16,541	16,541
Prepaid Items	14,301		14,301
Restricted Assets:			
Investments with Escrow Agents	688,665		688,665
Equity in Pooled Cash and Cash Equivalents	81,719		81,719
Total Assets	<u>17,002,570</u>	<u>1,771,327</u>	<u>18,773,897</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	1,207	1,750	2,957
Retainage Payable		80,144	80,144
Accrued Wages and Benefits Payable	807,396	202,011	1,009,407
Intergovernmental Payable	432,748	72,773	505,521
Deferred Revenue	8,399,021	462,678	8,861,699
Matured Compensated Absences Payable	132,138	6,538	138,676
Total Liabilities	<u>9,772,510</u>	<u>825,894</u>	<u>10,598,404</u>
Fund Balances:			
Reserved for Encumbrances	574,512	38,727	613,239
Reserved for Property Taxes	618,943	39,498	658,441
Reserved for Bus Purchases	29,082		29,082
Reserved for Debt Service Payments	688,665		688,665
Reserved for Budget Stabilization	52,637		52,637
Unreserved, Undesignated, Reported in:			
General Fund	5,266,221		5,266,221
Special Revenue Funds		608,770	608,770
Debt Service Fund		214,755	214,755
Capital Projects Funds		43,683	43,683
Total Fund Balances	<u>7,230,060</u>	<u>945,433</u>	<u>8,175,493</u>
Total Liabilities and Fund Balances	<u>\$17,002,570</u>	<u>\$1,771,327</u>	<u>\$18,773,897</u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances		\$8,175,493
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	\$1,285,538	
Land Improvements	1,504,569	
Buildings and Improvements	18,680,075	
Furniture and Equipment	5,500,753	
Vehicles	844,592	
Accumulated Depreciation	<u>(14,314,023)</u>	
Total Capital Assets		13,501,504
<p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
Property Taxes		1,224,785
<p>Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.</p>		
		106,530
<p>Long-term liabilities, including bonds and loans payable, accrued interest payable, and capital leases are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:</p>		
Accrued Interest Payable	(41,344)	
Energy Conservation Loan	(560,000)	
Premium on Bonds	(107,607)	
Accretion on Capital Appreciation Bonds	(176,345)	
General Obligation Bonds	(6,545,000)	
Capital Leases	(4,500,000)	
Compensated Absences	<u>(1,215,434)</u>	
Total Liabilities		<u>(13,145,730)</u>
Net Assets of Governmental Activities		<u><u>\$9,862,582</u></u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$10,081,309	\$487,448	\$10,568,757
Intergovernmental	7,018,226	4,136,634	11,154,860
Interest	477,631	17,421	495,052
Tuition and Fees	255,921		255,921
Extracurricular Activities	3,935	96,310	100,245
Charges for Services		236,402	236,402
Rent	57,869		57,869
Gifts and Donations		21,239	21,239
Miscellaneous	17,408	24,030	41,438
Total Revenues	<u>17,912,299</u>	<u>5,019,484</u>	<u>22,931,783</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,406,737	1,074,073	8,480,810
Special	1,808,181	1,081,442	2,889,623
Vocational	443,168		443,168
Student Intervention Services		279,162	279,162
Support Services:			
Pupils	1,123,083	332,966	1,456,049
Instructional Staff	395,040	185,344	580,384
Board of Education	24,149		24,149
Administration	1,498,237	215,457	1,713,694
Fiscal	399,623	5,771	405,394
Business	207,024		207,024
Operation and Maintenance of Plant	1,930,998	67,966	1,998,964
Pupil Transportation	753,356	54,852	808,208
Central	45,250	6,066	51,316
Operation of Non-Instructional Services	1,587	855,353	856,940
Extracurricular Activities	484,558	88,871	573,429
Capital Outlay	56,648	80,144	136,792
Debt Service:			
Principal Retirement	100,000	230,000	330,000
Interest and Fiscal Charges	50,425	256,233	306,658
Total Expenditures	<u>16,728,064</u>	<u>4,813,700</u>	<u>21,541,764</u>
Excess of Revenues Over Expenditures	<u>1,184,235</u>	<u>205,784</u>	<u>1,390,019</u>
Other Financing Sources (Uses):			
Transfers - In		3,500	3,500
Transfers - Out	(3,500)		(3,500)
Total Other Financing Sources (Uses)	<u>(3,500)</u>	<u>3,500</u>	
Net Change in Fund Balances	1,180,735	209,284	1,390,019
Fund Balances at Beginning of Year	6,049,325	736,149	6,785,474
Fund Balances at End of Year	<u>\$7,230,060</u>	<u>\$945,433</u>	<u>\$8,175,493</u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**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		\$1,390,019
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital Outlay	\$183,636	
Current Year Depreciation Expense	<u>(907,041)</u>	
Excess of Capital Outlay under Depreciation Expense		(723,405)
<p>Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of</p>		
Energy Conservation Loan Payments	100,000	
General Obligation Bond Principal Payments	<u>230,000</u>	
		330,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds, when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the statement of activities is a result of the following:</p>		
Amortization of Premium on Bonds	5,124	
Accretion on Capital Appreciation Bonds	(47,510)	
Net Amortization of Bond Issuance Costs (Deferred Charges)	<u>(5,073)</u>	
		(47,459)
<p>Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds.</p>		
Property Taxes		(186,344)
<p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>		
Increase in Compensated Absences		<u>(13,056)</u>
Change in Net Assets of Governmental Activities		<u><u>\$749,755</u></u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues:				
Property Taxes	\$9,859,182	\$9,783,323	\$9,783,323	
Intergovernmental	6,896,600	7,003,089	7,003,089	
Interest	250,000	486,877	486,877	
Tuition and Fees	230,000	253,354	253,354	
Extracurricular Activities	15,000	3,935	3,935	
Rent	65,000	64,269	64,269	
Miscellaneous	1,000	3,888	3,888	
Total Revenues	<u>17,316,782</u>	<u>17,598,735</u>	<u>17,598,735</u>	
Expenditures:				
Current:				
Instruction:				
Regular	9,723,332	7,668,235	7,428,738	\$239,497
Special	2,507,407	1,457,030	1,863,984	(406,954)
Vocational	578,814	330,729	445,046	(114,317)
Support Services:				
Pupils	1,345,547	1,363,139	1,130,340	232,799
Instructional Staff	523,883	628,968	397,004	231,964
Board of Education	29,937	31,486	24,264	7,222
Administration	2,099,906	2,032,181	1,510,215	521,966
Fiscal	521,024	398,561	394,189	4,372
Business	255,820	227,259	198,240	29,019
Operation and Maintenance of Plant	2,512,255	2,347,857	2,046,255	301,602
Pupil Transportation	1,037,362	1,178,643	831,223	347,420
Central	62,741	53,742	45,250	8,492
Operation of Non-Instructional Services	2,763	1,869	1,587	282
Extracurricular Activities	637,520	711,463	483,235	228,228
Capital Outlay	738,249	336,862	336,122	740
Debt Service:				
Principal Retirement	231,734	100,000	100,000	
Interest and Fiscal Charges	40,256	50,425	50,425	
Total Expenditures	<u>22,848,550</u>	<u>18,918,449</u>	<u>17,286,117</u>	<u>1,632,332</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,531,768)</u>	<u>(1,319,714)</u>	<u>312,618</u>	<u>1,632,332</u>
Other Financing Sources (Uses):				
Transfers - Out			(3,500)	(3,500)
Sinking Fund Payment	(229,555)	(229,555)	(229,555)	
Refund of Prior Year Expenditures		147,127	147,127	
Refund of Prior Year Receipts	(61)	(211)	(175)	36
Total Other Financing Sources (Uses)	<u>(229,616)</u>	<u>(82,639)</u>	<u>(86,103)</u>	<u>(3,464)</u>
Net Change in Fund Balance	(5,761,384)	(1,402,353)	226,515	1,628,868
Fund Balance at Beginning of Year	5,948,315	5,948,315	5,948,315	
Prior Year Encumbrances Appropriated	498,220	498,220	498,220	
Fund Balance at End of Year	<u>\$685,151</u>	<u>\$5,044,182</u>	<u>\$6,673,050</u>	<u>\$1,628,868</u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2007**

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$29,474</u></u>
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Liabilities:

Due to Students	<u><u>\$29,474</u></u>
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See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Northridge Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1931 through the consolidation of existing land areas and school districts. The School District serves an area of approximately seven square miles. It is located in Montgomery County.

The Board of Education controls the School District's five instructional buildings and a bus garage staffed by 101 classified employees, 130 certificated full-time personnel who provide services to 1,790 students and other community members.

A. Reporting Entity:

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

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

The School District participates in four jointly governed organizations, one insurance purchasing pool, and one public entity shared risk pool. These organizations are discussed in Note 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Miami Valley Career Technology Center

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

Public Entity Shared Risk Pool:

- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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 governmental function is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements:

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. 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 School District divides its funds into two categories: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses 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 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 School District's General Fund is the only major fund.

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

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

2. Fiduciary Funds:

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. The School District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

1. Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other 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-wide statements and the statements for governmental funds.

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 and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. 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. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources are collectible 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 sixty 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 (See Note 6). 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 or 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, tuition, student fees, grants, and interest.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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 met 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.

3. 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.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except cash held in a segregated bank account separate from the School District's central bank account for School District managed activities, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Cash received for district managed activities is presented on the balance sheet as "Cash and Cash Equivalents In Segregated Accounts" since it is not required to be deposited into the School District treasury. The School District held money in the sinking fund to be used for the payment of the capital lease for the building renovation project. The balance in this account is presented on the financial statements as "Restricted Assets: Investments with Escrow Agents."

During fiscal year 2007, the School District invested in Federal National Mortgage Association Notes, Federal Home Loan Mortgage Company Notes, First American Treasury Obligation Money Market Mutual Fund, U.S. Treasury Money Market Mutual Fund, and the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$477,631, which includes \$64,188 assigned from other School District funds.

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 presented on the financial statements as cash equivalents.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food held for resale.

G. 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 the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required by statute to be set aside by the School District to create a reserve for budget stabilization and revenues restricted for the purchase of buses and debt service payments.

I. Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

On the government-wide financial statements bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable. Issuance costs are amortized on a straight-line basis over the term of the bonds and are reported as deferred charges.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the period in which the debt is issued.

J. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in governmental 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the fiscal year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred 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 capitalized.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives 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	15-20 years
Buildings and Improvements	20-50 years
Furniture and Equipment	8-20 years
Vehicles	10-15 years

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Capital leases, bonds, and long-term loans are recognized as a liability in the governmental fund financial statements when due.

L. Compensated Absences

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

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

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs and student activities, and federal and State grants restricted to expenditures for specified purposes.

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

The government-wide Statement of Net Assets reports \$1,502,938 of restricted net assets, of which none is restricted by enabling legislation.

N. Fund Balance Reserves

The School District reserves those portions of fund balance 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 fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, bus purchases, future debt service payments, and budget stabilization.

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 is money set aside as required by State statute to protect against cyclical changes in revenues and expenditures.

O. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. 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 sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been given the authority to allocate the Board's appropriations to the function and object level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed. Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in all funds.

The appropriation resolution is subject to amendment by the Board throughout the fiscal 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

3. ACCOUNTABILITY

At June 30, 2007, the Title VI-B, and the Title VI-R Funds had deficit fund balances of \$409 and \$3,322, respectively. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balances 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 balance - budget (non-GAAP basis) and actual is presented for the General Fund 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 as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General
GAAP Basis	\$1,180,735
Revenue Accruals	(159,953)
Expenditure Accruals	16,221
Encumbrances	(574,598)
Sinking Fund Payment to Escrow Agent	(229,555)
Change in Fair Value of Investments FY07	(149)
Change in Fair Value of Investments FY06	(6,186)
Budget Basis	\$226,515

5. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

5. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and,
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. Investments may only be made through specified dealers and institutions.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$3,579,685 of the School District's bank balance of \$3,881,685 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution. The District follows Ohio Revised Code in regards to active monies.

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 secured.

B. Investments

As of June 30, 2007, the School District had the following investments. Except for the investment held by escrow agent for the lease agreement, all investments are in an internal investment pool.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

	<u>Fair Value</u>	<u>Maturity</u>
		<u>Less Than 1 Year</u>
Federal National Mortgage Association Notes	\$59,963	\$59,963
Federal Home Loan Mortgage Company Notes	159,831	159,831
First American Treasury Obligation Money Market Mutual Fund	88,551	88,551
U.S. Treasury Money Market Mutual Fund	1,883,893	1,883,893
STAROhio	3,232,437	3,232,437
	<u>\$5,424,675</u>	<u>\$5,424,675</u>

1. Interest Rate Risk

The School District's investment policy addresses interest rate risk by stating that the School District will attempt to match its investments with anticipated cash flow requirements and unless matched to a specific cash flow requirement, investments must mature within five years from the date of purchase. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

2. Credit Risk

The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Company Notes, First American Treasury Obligation Money Market Mutual Fund, and U.S. Treasury Money Market Mutual Fund carry a rating of Aaa by Moody's. STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or issued by enterprises sponsored by the United States Government.

C. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes and the Federal Home Loan Mortgage Company Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

6. PROPERTY TAXES

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

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

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

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

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are 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, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007 was \$618,943 in the General Fund and \$39,498 in the Bond Retirement Fund. The amount available as an advance at June 30, 2006, was \$320,957 in the General Fund and \$20,407 in the Bond Retirement Fund.

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 has been deferred.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

6. PROPERTY TAXES (Continued)

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

	2006 Second – Half Collections		2007 First – Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$168,060,690	74.43%	\$169,936,370	79.47%
Public Utility Personal	5,653,440	2.50	5,217,250	2.44
General Business Personal	52,085,938	23.07	38,690,867	18.09
Total	\$225,800,068	100.00%	\$213,844,487	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$54.25		\$63.00	

7. RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes, accounts (tuition and student fees), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Tuition	\$7,000
Core Implementation Grant	41,853
After School Program Grant	30,491
Transportation Reimbursement	3,396
Workers' Compensation Reimbursement	390
Food Service	71,677
Total	\$154,807

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

8. CAPITAL ASSETS

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

	<u>Balance 6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/07</u>
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$1,285,538			\$1,285,538
Capital Assets, Being Depreciated:				
Land Improvements	1,504,569			1,504,569
Buildings and Improvements	18,578,939	\$101,136		18,680,075
Furniture and Equipment	5,770,714	81,455	(\$351,416)	5,500,753
Vehicles	843,547	1,045		844,592
Total Capital Assets, Being Depreciated	<u>26,697,769</u>	<u>183,636</u>	<u>(351,416)</u>	<u>26,529,989</u>
Less Accumulated Depreciation:				
Land Improvements	(945,890)	(55,252)		(1,001,142)
Buildings and Improvements	(7,209,540)	(616,422)		(7,825,962)
Furniture and Equipment	(4,897,846)	(186,126)	351,416	(4,732,556)
Vehicles	(705,122)	(49,241)		(754,363)
Total Accumulated Depreciation	<u>(13,758,398)</u>	<u>(907,041) *</u>	<u>351,416</u>	<u>(14,314,023)</u>
Capital Assets, Being Depreciated, Net	<u>12,939,371</u>	<u>(723,405)</u>		<u>12,215,966</u>
Governmental Activities Capital Assets, Net	<u>\$14,224,909</u>	<u>(\$723,405)</u>	<u>\$0</u>	<u>\$13,501,504</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$528,573
Special	4,450
Vocational	2,059
Student Intervention Services	300
Support Services:	
Pupils	19,118
Instructional Staff	14,261
Administration	16,047
Fiscal	994
Business	525
Operation and Maintenance of Plant	27,955
Pupil Transportation	47,238
Operation of Non-Instructional Services	23,703
Extracurricular Activities	221,818
Total Depreciation Expense	<u>\$907,041</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with Indiana Insurance for property, fleet, and liability insurance.

The types and amounts of coverage includes:

Building and Contents – replacement cost	\$60,767,800
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured/Underinsured Motorists	500,000
Medical Expense	5,000
Education General Liability:	
Bodily Injury and Property Damage – Each Occurrence	1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Medical Expense – Any One Person/Each Accident	15,000
General Aggregate Limit	2,000,000
Products – Completed Operations Limit	2,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Bodily Injury and Property Damage – Each Occurrence	1,000,000
Disease – Each Employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000
Employment Practices (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. 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 Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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 percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures 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 Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

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

9. RISK MANAGEMENT (Continued)

C. Medical Benefits

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool consisting of fifty-five school districts (Note 15). The School District pays monthly premiums to the Trust for employee medical, dental, and vision 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.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$301,023, \$270,262, and \$295,823, respectively; 44.7 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,122,664, \$1,094,534, and \$1,180,513, respectively; 83.31 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$14,360 made by the School District and \$18,581 made by the plan members.

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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2 percent of wages paid.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

11. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$86,359 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$146,178.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 360 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 90 days for all employees.

B. Life Insurance

The School District provides life insurance to most employees through CoreSource.

13. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into a lease agreement for a renovation project involving the buildings of the School District, which meets the definition of a Qualified Zone Academy. As part of the agreement, Banc One Leasing Corporation, as lessor, deposited \$4,500,000 in the School District's name, with an escrow agent for the renovations to the buildings. Amounts will be paid to contractors by the School District as the work progresses. As of June 30, 2005, the work had been completed. The School District makes annual interest payments of 0.68% to the lessor and annual sinking fund payments to the escrow agent. The escrow agent is investing the School District's deposits and has guaranteed a return on the investments to meet the School District's lease liability. Banc One will be repaid in fiscal year 2019 when the \$4,500,000 lease payment is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the lease is paid timely. The School District is current on the deposits.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2007.

Fiscal Year Ending June 30,	Amount
2008	\$ 30,600
2009	30,600
2010	30,600
2011	30,600
2012	30,600
2013-2017	153,000
2018-2019	4,561,200
Total	4,867,200
Less: Amount Representing Interest	(367,200)
Present Value of Minimum Lease Payments	\$4,500,000

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

13. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the interest and sinking fund payments required under the lease and escrow agreements:

<u>Fiscal Year Ending June 30,</u>	<u>Interest</u>	<u>Sinking Fund Payments</u>	<u>Total Lease Payments</u>
2008	\$30,600	\$229,555	\$260,155
2009	30,600	229,555	260,155
2010	30,600	229,555	260,155
2011	30,600	229,555	260,155
2012	30,600	229,555	260,155
2013-2017	153,000	1,147,775	1,300,775
2018-2019	61,200	229,555	290,755
	<u>\$367,200</u>	<u>\$2,525,105</u>	<u>\$2,892,305</u>

14. LONG-TERM OBLIGATIONS

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

<u>Types/Issues</u>	<u>Balance 6/30/06</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/07</u>	<u>Due Within One Year</u>
Governmental Activities:					
2003 Energy Conservation Loan 3.25%	\$ 660,000		\$100,000	\$ 560,000	\$105,000
2003 School Improvement Bonds:					
Serial Bonds 2.00-4.40%	5,015,000		230,000	4,785,000	230,000
Term Bonds 4.75%	1,370,000			1,370,000	
Capital Appreciation Bonds 9.27-10.08%	390,000			390,000	
Accretion on Capital Appreciation Bonds	128,835	\$ 47,510		176,345	
Amortization of Premium	112,731		5,124	107,607	
Total Long-Term Debt	<u>7,676,566</u>	<u>47,510</u>	<u>335,124</u>	<u>7,388,952</u>	<u>335,000</u>
Compensated Absences Payable	1,202,378	125,238	112,182	1,215,434	125,128
Capital Lease Payable	4,500,000			4,500,000	
Total – General Long-Term Obligations	<u>\$13,378,944</u>	<u>\$172,748</u>	<u>\$447,306</u>	<u>\$13,104,386</u>	<u>\$460,128</u>

2003 Energy Conservation Loan - On June 16, 2003, Northridge Local School District issued \$947,125 in an unvoted general obligation loan for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The loan was issued for a nine year period with final maturity during fiscal year 2012. The debt will be retired from the anticipated savings over the ten years and will be paid from the General Fund.

School Improvement Bonds - On April 8, 2003, Northridge Local School District issued \$7,380,000 in school improvement general obligation bonds. Of these bonds, \$5,620,000 are serial bonds, \$1,370,000 are term bonds, and \$390,000 are capital appreciation bonds. The bonds were issued for a 25-year period with final maturity during fiscal year 2028. The bonds will be retired from the Bond Retirement Fund with property tax revenues.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

14. LONG-TERM OBLIGATIONS (Continued)

The term bonds issued at \$1,370,000 and maturing on December 1, 2027, will be subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the fiscal years and in the respective principal amounts as follows:

<u>Fiscal Year</u>	<u>Amount to be Redeemed</u>
2026	\$435,000
2027	455,000
2028	480,000

The serial bonds maturing after December 1, 2013, are subject to optional redemption at the direction of the School District, in whole at any time or in part on any interest payment date, in any order as determined by the School District and by lot within a maturity, on or after December 1, 2012, at the redemption prices (expressed as percentages of the principal amount) set forth in the bond purchase agreement, plus accrued interest to the redemption date.

The capital appreciation bonds, issued at \$390,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2009 through 2011 and will bear interest compounded semiannually on June 1 and December 1 of each year beginning in fiscal year 2009. The maturity amount of the capital appreciation bonds is \$1,479,547. For fiscal year 2007, the capital appreciation bonds were accreted \$47,510.

The capital lease will be paid from the General Fund. Compensated absences will be paid from the General, Food Service, Poverty Based Assistance, Title VI-R, and Title I Funds.

The School District's overall legal debt margin was \$9,316,621, the energy conservation loan debt margin was \$1,000,737, and the unvoted debt margin was \$173,415 at June 30, 2007.

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

<u>Fiscal Year Ending June 30,</u>	<u>Energy Conservation Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$105,000	\$16,494
2009	110,000	13,000
2010	110,000	9,425
2011	115,000	5,769
2012	120,000	1,950
Totals	<u>\$560,000</u>	<u>\$46,638</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

14. LONG-TERM OBLIGATIONS (Continued)

School Improvement General Obligation Bonds						
Fiscal year Ending June 30,	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$230,000	\$185,984		\$65,075		
2009		183,109		65,075	\$135,000	\$348,182
2010		183,109		65,075	130,000	368,182
2011		183,109		65,075	125,000	373,183
2012	250,000	178,797		65,075		
2013-2017	1,400,000	747,546		325,375		
2018-2022	1,705,000	443,385		325,375		
2023-2027	1,200,000	80,028	\$890,000	283,575		
2028			480,000	11,400		
Total	\$4,785,000	\$2,185,067	\$1,370,000	\$1,271,100	\$390,000	\$1,089,547

15. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE POOL, AND PUBLIC ENTITY RISK SHARING POOL

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy, and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The School District paid MDECA \$68,596 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2007, the School District paid \$1,018 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

15. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE POOL, AND PUBLIC ENTITY RISK SHARING POOL (Continued)

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2007, the School District paid \$1,076 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Miami Valley Career Technology Center - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from the Miami County Educational Service Center. The School District did not contribute financially to this organization during fiscal year 2007. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

15. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE POOL, AND PUBLIC ENTITY RISK SHARING POOL (Continued)

C. Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust – The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of fifty-five school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust that will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

16. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set-aside for this purpose.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks/instructional materials, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

<u>Company</u>	<u>Textbooks/ Instructional Materials</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2006	(\$120,125)		\$52,637
Current Fiscal Year Set-aside Requirement	264,540	\$264,540	
Current Fiscal Year Offsets		(264,540)	
Qualifying Disbursements	(295,072)		
Totals	<u>(150,657)</u>		<u>52,637</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(150,657)</u>		<u>52,637</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$0</u>	<u>\$0</u>	<u>\$52,637</u>

The School District had qualifying disbursements during the fiscal year that reduced textbook/instructional materials below zero. The extra amount for textbooks/instructional materials may be used to reduce the set-aside requirements in future fiscal years.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

17. CONTINGENCIES

A. Grants

The School District received 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 adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

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

18. INTERFUND TRANSACTIONS

A transfer in the amount of \$3,500 from the General Fund to the Principals Fund was made during the fiscal year. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Food Donation	N/A	10.550		\$96,154		\$96,154
Nutrition Cluster:						
School Breakfast Program	05PU-2006	10.553	\$45,281		\$45,281	
	05PU-2007		107,069		107,069	
Total School Breakfast Program			152,350		152,350	
National School Lunch Program						
	LLP1-2006	10.555	1,528		1,528	
	LLP1-2007		6,855		6,855	
	LLP4-2006		116,613		116,613	
	LLP4-2007		280,406		280,406	
Total National School Lunch Program			405,402		405,402	
Total U.S. Department of Agriculture			557,752	96,154	557,752	96,154
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1S1-2006	84.010			56,684	
	C1S1-2007		656,693		595,832	
Total Title I Grants to Local Educational Agencies			656,693		652,516	
Special Education Cluster:						
Special Education Grants to States	6BSF-2006	84.027			5,267	
	6BSF-2007		461,654		461,654	
Total Special Education Grants to States			461,654		466,921	
Special Education Preschool Grants						
	PGS1-2006	84.173	241		975	
	PGS1-2007		5,975		5,975	
Total Special Education Preschool Grants			6,216		6,950	
Total Special Education Cluster			467,870		473,871	
Safe and Drug Free Schools and Communities State Grants	DRS1-2007	84.186	13,555		13,555	
Even Start - State Educational Agencies						
	EVS1-2006	84.213	11,012		12,608	
	EVS1-2007		134,650		134,651	
Total Even Start - State Educational Agencies			145,662		147,259	
State Grants for Innovative Programs	C2S1-2007	84.298	2,947		2,947	
Education Technology State Grants	TJS1-2007	84.318	6,832		6,832	
Improving Teacher Quality State Grants	TRS1-2007	84.367	176,278		169,518	
Hurricane Education Recovery	HR01-2006	84.938	2,500		2,500	
Total U.S. Department of Education			1,472,337		1,468,998	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of MRDD</i>						
Medical Assistance Program	N/A	93.778	10,181			
<i>Passed through Montgomery County Educational Service Center</i>						
Medical Assistance Program	N/A	93.778	3,524			
Total Medical Assistance Program			13,705			
Total U.S. Department of Health and Human Services			13,705			
Total Federal Assistance			\$2,043,794	\$96,154	\$2,026,750	\$96,154

The accompanying notes are an integral part of this schedule.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE E – COMMUNITY ALTERNATIVE FUNDING SYSTEM

As of July 1, 2005, the Community Alternative Funding System (CAFS) program (CFDA #93.778) no longer exists as a funding stream. Settlement payments for services rendered prior to June 30, 2005 are reported as receipts only on the Schedule.



Mary Taylor, CPA

Auditor of State

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

Northridge Local School District
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 3, 2008. 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 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.

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.

We noted certain matters that we reported to the District's management in a separate letter dated January 3, 2008.

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www.auditor.state.oh.us

Compliance and Other Matters

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

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated January 3, 2008.

We intend this report solely for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

January 3, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Northridge Local School District
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414

To the Board of Education:

Compliance

We have audited the compliance of Northridge Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Northridge Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 3, 2008

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies (CFDA #84.010)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

NORTHRIDGE LOCAL SCHOOL DISTRICT

MONTGOMERY 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
MARCH 6, 2008**