



Dave Yost • Auditor of State



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 20 to the financial statements, during fiscal year 2013, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the 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 financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 21, 2014

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**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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, 2013. 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 2013 are as follows:

- In fiscal year 2013, the School District was in the second year of the new memorandum of agreement with Northridge Teacher's Association and the Professional Guild of Ohio. Employees received no step increases and a 1.5 percent increase to their base salary schedule. United Healthcare premiums increased 5.3 percent and Delta Dental premiums increased 5.1 percent.
- In the prior fiscal year the Board of Education offered a onetime retirement incentive bonus for employees. Regular full-time certified employees that were eligible to retire received a \$30,000 bonus payment. Non-certified employees that were eligible to retire received a bonus equal to 37.2 percent of the highest salary schedule rate in the classification of the non-certified employee retiring. The bonuses were paid in fiscal year 2013 in the month of July.
- In an effort to continue reducing expenditures the School District closed an elementary building during the fiscal year.
- The School District experienced a decline in open enrollment numbers from the previous year, reducing revenues by nearly \$286,000.
- The School District approved a 6.95 mil continuing levy in November of 2011. The fiscal year 2013 was the first full year of collections on the levy. The School District also saw an increase in the payment of delinquent taxes.

**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 Position and the 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, 2013  
UNAUDITED  
(Continued)**

**Reporting the School District as a Whole**

*Statement of Net Position 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 2013?" The Statement of Net Position 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 position and change in that position. This change in net position 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 Position 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*

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 position and the statement of activities) and governmental funds is reconciled in the financial statements.

*Fiduciary Funds*

The School District's only fiduciary funds are private purpose trust fund and agency funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary Net Position. 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, 2013  
UNAUDITED  
(Continued)**

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal years 2013 and 2012:

**Table 1  
Net Position – Governmental Activities**

	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Assets:</b>			
Current and Other Assets	\$20,623,107	\$19,179,083	\$1,444,024
Capital Assets	11,470,268	12,093,686	(623,418)
Total Assets	<u>32,093,375</u>	<u>31,272,769</u>	<u>820,606</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Refunding	<u>376,738</u>	<u>403,972</u>	<u>(27,234)</u>
<b>Liabilities:</b>			
Other Liabilities	1,681,799	2,179,306	(497,507)
Long-Term Liabilities	11,708,541	11,746,643	(38,102)
Total Liabilities	<u>13,390,340</u>	<u>13,925,949</u>	<u>(535,609)</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	<u>7,117,446</u>	<u>6,640,686</u>	<u>476,760</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	1,629,958	1,927,286	(297,328)
Restricted	3,572,841	3,303,685	269,156
Unrestricted	6,759,528	5,879,135	880,393
Total Net Position	<u><u>\$11,962,327</u></u>	<u><u>\$11,110,106</u></u>	<u><u>\$852,221</u></u>

Note that 2012 information has been restated in accordance with GASB 65 implementation.

Total assets of governmental activities increased \$820,606. Most of this increase is primarily due to the increase in property taxes receivable. Property taxes receivable increased due to fiscal year 2013 being the first full year of collections on the new levy.

Total liabilities decreased \$535,609 from fiscal year 2012. The decrease was mainly the result of decreases in matured compensated absences. Matured compensated absences decreased due to having only two retirements during the year compared to twelve retirements in fiscal year 2012.

In total, net position increased \$852,221. Net Investment in Capital Assets decreased \$297,328 due to current year additions and current year debt payments being less than current fiscal year depreciation expense. Restricted net position increased \$269,156 mainly the result of the annual sinking fund payments to the escrow agent.

Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased \$880,393. The School District had an increase in revenues due to a full year's collection of the 6.95 mil levy passed in 2011. The School District also managed to keep expenses within revenues by closely monitoring budgets during the fiscal year.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

Table 2 shows the changes in net position for the fiscal years 2013 and 2012.

<b>Table 2</b>			
<b>Changes in Net Position</b>			
	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$1,731,036	\$2,056,754	(\$325,718)
Operating Grants, Interest and Contributions	3,510,620	3,524,333	(13,713)
Capital Grants, Interest and Contributions	15	54	(39)
Total Program Revenues	5,241,671	5,581,141	(339,470)
<b>Revenues:</b>			
<b>General Revenues:</b>			
Property Taxes	7,568,374	\$7,182,837	385,537
Grants and Entitlements not			
Restricted to Specific Programs	10,455,906	10,556,521	(100,615)
Investment Earnings	99,152	87,561	11,591
Gifts and Donations	9,567		9,567
Miscellaneous	23,041	123,277	(100,236)
Special Item	280,081	0	280,081
Total General Revenues	18,436,121	17,950,196	485,925
Extraordinary Item - Insurance Settlement			
Total Revenues	23,677,792	23,531,337	146,455
<b>Program Expenses:</b>			
<b>Instruction:</b>			
Regular	9,178,893	10,440,122	(1,261,229)
Special	3,546,046	2,715,243	830,803
Vocational	2,820	125,113	(122,293)
Student Intervention Services	18,719	12,633	6,086
<b>Support Services:</b>			
Pupils	1,398,832	1,643,772	(244,940)
Instructional Staff	558,179	595,291	(37,112)
Board of Education	34,700	36,116	(1,416)
Administration	2,275,933	2,130,784	145,149
Fiscal	436,248	416,661	19,587
Business	206,756	304,796	(98,040)
Operation and Maintenance of Plant	1,762,748	1,753,916	8,832
Pupil Transportation	1,143,917	946,881	197,036
Central	56,068	51,694	4,374
Operation of Non-Instructional Services	1,063,968	1,159,776	(95,808)
Extracurricular Activities	840,414	692,729	147,685
Interest and Fiscal Charges	301,330	170,042	131,288
Total Expenses	22,825,571	23,195,569	(369,998)
Change in Net Position	852,221	335,768	\$516,453
Net Position at Beginning of Year	11,110,106	10,774,338	
Net Position at End of Year	\$11,962,327	\$11,110,106	

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**Governmental Activities**

In total, revenues increased \$146,455 and expenses decreased \$369,998, resulting in an overall net increase of \$516,453.

Property taxes made up 32 percent of revenues for governmental activities for the School District during fiscal year 2013. The increase in property tax revenue of \$385,537 was mainly due to delinquent property tax "collections" increasing from fiscal year 2012 to 2013, along with the first full year of collections from the levy passed in 2011.

Charges for services decreased by \$325,718 largely due to a reduction in open enrollment numbers, along with a reduction of extra-curricular transportation services.

General Revenues increased \$485,925 from fiscal year 2012. The increase is due mainly to an increase in property tax revenue and a special item. Property taxes increased due to the first full year of collections on the levy passed in 2011 and the School District receiving a large settlement from legal proceeding.

Overall expenses decreased \$369,998 from fiscal year 2012. The decrease was due to a reduction in personnel as well as a decrease in capital expenditures from fiscal year 2012.

**The School District's Funds**

The School District's only major fund is the General Fund and it is accounted for using the modified accrual basis of accounting. The General Fund accounts for 85 percent of total revenues and 84 percent of total expenditures. Fund Balance increased \$860,258 due to the School District receiving full collection on the levy passed in 2011, along with reduced expenditures from closing one elementary building and offering a retirement incentive to help reduce staff numbers.

**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.

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 classes. 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 and other financing sources increased \$76,262 from the original budgeted estimates. The change was mainly in intergovernmental revenue and property taxes due to the passage of the 6.95 mil levy in November of 2011 along with an increase in delinquent taxes collected. Actual revenues matched final budget basis revenues.

During the course of fiscal year 2013, the School District amended its appropriations several times. Final appropriations were adopted by the Board of Education in June. Again, through close monitoring, the School District kept expenditures in check as actual expenditures were \$237,348 less than budgeted amounts.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**Capital Assets**

Table 3 shows fiscal year 2013 balances compared to fiscal year 2012.

**Table 3  
Capital Assets (Net of Depreciation) at June 30,**

	<u>2013</u>	<u>2012</u>
Land	\$1,569,249	\$1,569,249
Land Improvements	795,202	845,849
Buildings and Improvements	8,142,015	8,493,147
Furniture and Equipment	721,952	884,381
Vehicles	241,850	301,060
Totals	<u>\$11,470,268</u>	<u>\$12,093,686</u>

Overall capital assets decreased \$623,418 from fiscal year 2012 as additions of \$211,368 did not exceed depreciation expense of \$834,371. For more information on capital assets, refer to Note 9 of the basic financial statements.

**Debt Administration**

At June 30, 2013, the School District had \$5,270,000 in bonds outstanding, as well as premium on bonds in the amount of \$450,619. \$405,000 represents the amount of debt principal payments made during the fiscal year and \$370,000 represents the amount of debt principal due during fiscal year 2014. 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 Chase Leasing Corporation for the financing of \$4,500,000 for building renovations. The School District makes annual interest payments to the lessor 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. For more information on debt administration, refer to Notes 14 and 15 of the basic financial statements.

**Current Financial Issues and Concerns**

The School District is proud of its community support of the public schools. The Board of Education and administration work together 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 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 Chasteen, Treasurer, at Northridge Local School District, 2011 Timber Lane, Dayton, Ohio 45414, or email at [mhellyer@northridgeschools.org](mailto:mhellyer@northridgeschools.org).

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,662,242
Cash and Cash Equivalents in Segregated Accounts	2,000
Accrued Interest Receivable	2,387
Intergovernmental Receivable	307,971
Accounts Receivable	15,581
Materials and Supplies Inventory	13,698
Inventory Held for Resale	7,214
Property Taxes Receivable	10,119,265
Investments with Escrow Agents	2,492,749
Non-depreciable Capital Assets	1,569,249
Depreciable Capital Assets, Net	9,901,019
Total Assets	<u>32,093,375</u>
 <b>Deferred Outflows of Resources:</b>	
Deferred Charge on Refunding	<u>376,738</u>
 <b>Liabilities:</b>	
Accounts Payable	90,973
Accrued Wages and Benefits Payable	1,113,123
Matured Compensated Absences Payable	53,650
Accrued Interest Payable	29,323
Intergovernmental Payable	394,730
<b>Long-Term Liabilities:</b>	
Due Within One Year	518,876
Due in More Than One Year	11,189,665
Total Liabilities	<u>13,390,340</u>
 <b>Deferred Inflows of Resources:</b>	
Property Taxes	<u>7,117,446</u>
 <b>Net Position:</b>	
Net Investment in Capital Assets	1,629,958
<b>Restricted for:</b>	
Debt Service	2,706,547
Capital Outlay	262,822
Food Service	460,529
District Managed Activities	11,071
Federal Grants	79,235
Set-Asides	52,637
Unrestricted	6,759,528
Total Net Position	<u><u>\$11,962,327</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013.**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants, Interest and Contributions	Capital Grants, Interest and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$9,178,893	\$1,340,100	\$326,283		(\$7,512,510)
Special	3,546,046	33,713	2,037,225		(1,475,108)
Vocational	2,820		22,634		19,814
Student Intervention Services	18,719				(18,719)
<b>Support Services:</b>					
Pupils	1,398,832		43,200		(1,355,632)
Instructional Staff	558,179		106,464		(451,715)
Board of Education	34,700				(34,700)
Administration	2,275,933	24,844	58,346		(2,192,743)
Fiscal	436,248				(436,248)
Business	206,756				(206,756)
Operation and Maintenance of Plant	1,762,748			\$15	(1,762,733)
Pupil Transportation	1,143,917	16,035	11,273		(1,116,609)
Central	56,068		7,200		(48,868)
Operation of Non-Instructional Services	1,063,968	145,053	888,075		(30,840)
Extracurricular Activities	840,414	171,291	9,920		(659,203)
Interest and Fiscal Charges	301,330				(301,330)
<b>Total Governmental Activities</b>	<b>\$22,825,571</b>	<b>\$1,731,036</b>	<b>\$3,510,620</b>	<b>\$15</b>	<b>(17,583,900)</b>
<b>General Revenues:</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					7,116,024
Debt Service					452,350
Grants and Entitlements not Restricted to Specific Programs					10,455,906
Investment Earnings					99,152
Gifts and Donations					9,567
Miscellaneous					23,041
Special Item					280,081
<b>Total General Revenues</b>					<b>18,436,121</b>
Change in Net Position					852,221
Net Position at Beginning of Year					11,110,106
Net Position at End of Year					<b>\$11,962,327</b>

See Accompanying Notes to the Basic Financial Statements.



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,330,541	\$1,279,064	\$7,609,605
Cash and Cash Equivalents in Segregated Accounts		2,000	2,000
<b>Receivables:</b>			
Property Taxes	9,517,899	601,366	10,119,265
Accounts	10,748	4,833	15,581
Intergovernmental	102,916	205,055	307,971
Accrued Interest	2,387		2,387
Materials and Supplies Inventory	10,901	2,797	13,698
Inventory Held for Resale		7,214	7,214
<b>Restricted Assets:</b>			
Investments with Escrow Agents	2,492,749		2,492,749
Equity in Pooled Cash and Cash Equivalents	52,637		52,637
<b>Total Assets</b>	<b>\$18,520,778</b>	<b>\$2,102,329</b>	<b>\$20,623,107</b>
<b>Liabilities:</b>			
Accounts Payable	\$87,023	\$3,950	\$90,973
Accrued Wages and Benefits Payable	954,686	158,437	1,113,123
Matured Compensated Absences Payable	53,650		53,650
Intergovernmental Payable	349,974	44,756	394,730
<b>Total Liabilities</b>	<b>1,445,333</b>	<b>207,143</b>	<b>1,652,476</b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	6,692,155	425,291	7,117,446
Unavailable Revenue	2,563,489	234,299	2,797,788
<b>Total Deferred Inflows of Resources</b>	<b>9,255,644</b>	<b>659,590</b>	<b>9,915,234</b>
<b>Fund Balances:</b>			
Non-spendable	12,402	2,797	15,199
Restricted	2,545,386	1,239,075	3,784,461
Assigned	442,293		442,293
Unassigned (Deficit)	4,819,720	(6,276)	4,813,444
<b>Total Fund Balances</b>	<b>7,819,801</b>	<b>1,235,596</b>	<b>9,055,397</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$18,520,778</b>	<b>\$2,102,329</b>	<b>\$20,623,107</b>

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013**

Total Governmental Fund Balances		\$9,055,397
<p>Amounts reported for governmental activities in the statement of net position 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	\$1,569,249	
Land Improvements	2,103,540	
Buildings and Improvements	19,069,276	
Furniture and Equipment	6,315,341	
Vehicles	1,027,244	
Accumulated Depreciation	<u>(18,614,382)</u>	
Total Capital Assets		11,470,268
<p>Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.</p>		
Property Taxes	2,662,090	
Interest	2,284	
Intergovernmental Grants	<u>133,414</u>	
		2,797,788
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		(29,323)
<p>Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.</p>		
		376,738
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:</p>		
Premium on Bonds	(450,619)	
Accretion on Capital Appreciation Bonds	(66,301)	
General Obligation Bonds	(4,990,000)	
Capital Appreciation Bonds	(280,000)	
Capital Leases	(4,500,000)	
Compensated Absences	<u>(1,421,621)</u>	
Total Liabilities		<u>(11,708,541)</u>
Net Position of Governmental Activities		<u><u>\$11,962,327</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, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property Taxes	\$6,749,788	\$429,554	\$7,179,342
Intergovernmental	10,989,256	2,865,380	13,854,636
Interest	98,512	15	98,527
Tuition and Fees	1,389,848		1,389,848
Extracurricular Activities	24,844	68,962	93,806
Charges for Services		150,346	150,346
Rent	97,036		97,036
Gifts and Donations	33,735	8,487	42,222
Miscellaneous	2,407	8,020	10,427
Total Revenues	<u>19,385,426</u>	<u>3,530,764</u>	<u>22,916,190</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	8,326,488	326,540	8,653,028
Special	2,158,606	1,295,327	3,453,933
Vocational	549		549
Student Intervention Services	18,719		18,719
<b>Support Services:</b>			
Pupils	1,332,450	43,200	1,375,650
Instructional Staff	372,830	187,611	560,441
Board of Education	34,316		34,316
Administration	2,156,510	36,498	2,193,008
Fiscal	423,631	7,715	431,346
Business	204,484		204,484
Operation and Maintenance of Plant	1,766,315	676	1,766,991
Pupil Transportation	1,055,031		1,055,031
Central	48,256	7,200	55,456
Operation of Non-Instructional Services	1,148	1,036,070	1,037,218
Extracurricular Activities	386,898	87,264	474,162
Capital Outlay	208,337	17,383	225,720
<b>Debt Service:</b>			
Principal Retirement		405,000	405,000
Interest and Fiscal Charges	30,600	133,600	164,200
Total Expenditures	<u>18,525,168</u>	<u>3,584,084</u>	<u>22,109,252</u>
Excess of Revenues Over (Under) Expenditures	<u>860,258</u>	<u>(53,320)</u>	<u>806,938</u>
<b>Other Financing Sources:</b>			
Special Item		280,081	280,081
Net Change in Fund Balances	860,258	226,761	1,087,019
Fund Balances at Beginning of Year	6,959,543	1,008,835	7,968,378
Fund Balances at End of Year	<u>\$7,819,801</u>	<u>\$1,235,596</u>	<u>\$9,055,397</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, 2013**

Net Change in Fund Balances - Total Governmental Funds \$1,087,019

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

Governmental funds report capital outlays as expenditures. However, in the statement  
of activities the cost of those assets is allocated over their estimated useful lives  
as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$211,368	
Current Year Depreciation Expense	(834,371)	
Excess of Capital Outlay under Depreciation Expense		(623,003)

Governmental funds only report the disposal of capital assets to the extent proceeds are received  
from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Loss on Disposal of Capital Assets		(415)
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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:

General Obligation Bond Principal Payments	260,000	
Refunding Bond Principal Payments	145,000	
		405,000

Some expenses 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. The difference in the amount of interest on the statement  
of activities is the result of the following:

Amortization of Premium on Bonds	55,853	
Amortization of Gain on Refunding	(27,234)	
Accretion on Capital Appreciation Bonds	(61,980)	
Amortization of Bond Issuance Costs (Deferred Charges)	(103,958)	
Decrease in Accrued Interest Payable	189	
		(137,130)

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  
unavailable in the governmental funds:

Property Taxes	389,032	
Intergovernmental Grants	79,235	
Interest	640	
Miscellaneous	12,614	
		481,521

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:

Increase in Compensated Absences		(360,771)
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Change in Net Position of Governmental Activities

\$852,221

*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, 2013**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property Taxes	\$7,541,465	\$7,011,586	\$7,011,586	
Intergovernmental	10,048,162	10,852,045	10,852,045	
Interest	9,500	10,547	10,547	
Tuition and Fees	1,679,180	1,392,990	1,392,990	
Extracurricular Activities	31,900	29,794	29,794	
Rent	85,000	94,470	94,470	
Gifts and Donations	8,500	27,946	27,946	
Miscellaneous	3,900	1,073	1,073	
<b>Total Revenues</b>	<u>19,407,607</u>	<u>19,420,451</u>	<u>19,420,451</u>	
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,897,376	8,868,690	8,761,901	\$106,789
Special	1,964,579	1,881,348	2,124,153	(242,805)
Vocational			549	(549)
Student Intervention Service	18,279	17,500	17,615	(115)
<b>Support Services:</b>				
Pupils	1,478,906	1,422,282	1,403,271	19,011
Instructional Staff	366,196	368,713	364,786	3,927
Board of Education	41,921	40,135	35,312	4,823
Administration	2,280,928	2,159,133	2,262,671	(103,538)
Fiscal	442,165	448,908	445,095	3,813
Business	242,002	231,690	215,570	16,120
Operation and Maintenance of Plant	1,856,229	2,106,033	1,940,908	165,125
Pupil Transportation	1,043,782	1,090,703	1,169,580	(78,877)
Central	43,829	41,961	47,900	(5,939)
Operation of Non-Instructional Services	18,566	17,775	17,422	353
Extracurricular Activities	379,408	366,092	402,834	(36,742)
Capital Outlay	331,349	609,093	223,141	385,952
<b>Debt Service:</b>				
Interest and Fiscal Charges	30,600	30,600	30,600	
<b>Total Expenditures</b>	<u>19,436,115</u>	<u>19,700,656</u>	<u>19,463,308</u>	<u>237,348</u>
Excess of Revenues Under Expenditures	<u>(28,508)</u>	<u>(280,205)</u>	<u>(42,857)</u>	<u>237,348</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	500			
Transfers - Out	(41)			
Payment to Escrow Agent	(230,000)	(230,000)	(229,555)	445
Refund of Prior Year Expenditures	65,000	93,341	93,341	
Refund of Prior Year Receipts	(9)	(9)	(9)	
Advances In		36,077	36,077	
<b>Total Other Financing Sources (Uses)</b>	<u>(164,550)</u>	<u>(100,591)</u>	<u>(100,146)</u>	<u>445</u>
Net Change in Fund Balance	(193,058)	(380,796)	(143,003)	237,793
Fund Balance at Beginning of Year	5,561,363	5,561,363	5,561,363	
Prior Year Encumbrances Appropriated	487,644	487,644	487,644	
<b>Fund Balance at End of Year</b>	<u>\$5,855,949</u>	<u>\$5,668,211</u>	<u>\$5,906,004</u>	<u>\$237,793</u>

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$21,864</u>	<u>\$10,810</u>
<b>Liabilities:</b>		
Due To Students		<u>\$10,810</u>
<b>Net Position:</b>		
Held in Trust for Scholarships	<u>\$21,864</u>	

*See accompanying notes to the basic financial statements.*

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Contributions and Donations	\$8,838
<b>Deductions:</b>	
Payment in Accordance With Trust Agreements	<u>14,327</u>
Change in Net Position	(5,489)
Net Position at Beginning of Year	<u>27,173</u>
Net Position at End of Year	<u><u>\$21,684</u></u>

*See accompanying notes to the basic financial statements.*

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**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**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.

**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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District has no component units.

The School District participates in four jointly governed organizations, two insurance purchasing pools, and one public entity shared risk pool. These organizations are discussed in Note 16 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 Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program

Public Entity Shared Risk Pool:

- Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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 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 Position 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 Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

The Statement of Net Position 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.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories; governmental and fiduciary.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the School District's major governmental 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two fiduciary funds: a private purpose trust fund, used to account for college scholarship programs for students; and an agency fund, used to account for student managed activity programs.

**C. Measurement Focus**

**1. Government-wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

**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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements 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 inflows of resources, 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 60 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 7). 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 for advance, tuition and fees, grants, and accrued interest.

**2. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, interest and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**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. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled, except cash held in a segregated bank account separate from the School District's central bank account as petty cash for School District managed activities. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through the School District's 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 holds money in a 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 2013, the School District invested in the First American Government Obligations Money Market Fund, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, US Treasury Notes, Federal Home Loan Bank Discount Notes, and the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value, which is based on 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 net asset value per share, which is the price the investment could be sold for on June 30, 2013.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$98,512, which includes \$14,522 assigned from other School District funds.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. 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. 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 debt service payments required by the lease agreement.

**G. Inventory**

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

**H. 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 Position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the 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 \$500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not 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

**I. 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that 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.

**J. 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. Long-term bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

**K. Fund Balance**

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

**Non-spendable** – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

**L. Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**M. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and 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. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years.

**N. Bond Premiums and Compounded Interest on Capital Appreciation Bonds**

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from 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 compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

**O. Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method; and is presented as deferred outflows of resources on the Statement of Net Position.

**P. Special Items**

Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. The School District received settlement monies as the result of legal proceedings from a previous fiscal year.

**Q. 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.

**3. FUND BALANCES**

Fund balance is classified as non-spendable, restricted, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**3. FUND BALANCES (Continued)**

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Non-spendable:</b>			
Unclaimed Funds	\$1,501		\$1,501
Inventory	10,901	\$2,797	13,698
Total Non-spendable	<u>\$12,402</u>	<u>\$2,797</u>	<u>\$15,199</u>
<b>Restricted for:</b>			
Lease Payment	2,545,386		2,545,386
Food Service		519,241	519,241
District Managed Activity		11,071	11,071
Federal Grants		32,659	32,659
Debt Service		413,282	413,282
Capital Improvements		262,822	262,822
Total Restricted	<u>2,545,386</u>	<u>1,239,075</u>	<u>3,784,461</u>
<b>Assigned to:</b>			
Purchases on Order	393,579		393,579
Other Purposes	48,714		48,714
Total Assigned	<u>442,293</u>		<u>442,293</u>
Unassigned (Deficit)	<u>4,819,720</u>	<u>(6,276)</u>	<u>4,813,444</u>
Total Fund Balances	<u>\$7,819,801</u>	<u>\$1,235,596</u>	<u>\$9,055,397</u>

**4. ACCOUNTABILITY**

At June 30, 2013, the following funds had a deficit fund balance:

<u>Funds</u>	<u>Amounts</u>
Special Revenue:	
Title VI-B	\$2,656
Title VI-R	3,620

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**5. 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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

<b>Net Change in Fund Balance</b>	<b>General</b>
GAAP Basis	\$860,258
Revenue Accruals	127,726
Expenditure Accruals	(458,588)
Encumbrances	(479,561)
Sinking Fund Payment to Escrow Agent	(229,555)
Change in Fair Value of Investments FY12	(1,747)
Change in Fair Value of Investments FY13	2,387
Advances	36,077
Budget Basis	(\$143,003)

**6. 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 that 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

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;
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) above;
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. Investments**

As of June 30, 2013, the School District had the following investments. Except for the investments held by escrow agents for the lease agreement, all investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>Due in 1-3 Years</u>	<u>Due in 3-5 Years</u>	<u>Rating *</u>	<u>of Total Investments</u>
First American Government Obligation						
Money Market Fund	\$4,811	\$4,811			Aaa	0.13%
Federal Home Loan Bank Notes	380,167	380,167			Aaa	10.13%
Federal Home Loan Mortgage Notes	154,778		\$154,778		Aaa	4.12%
Federal National Mortgage						
Association Notes	267,135	50,147	168,518	\$48,470	Aaa	7.12%
United States Treasury Notes	100,066	100,066			Aaa	2.67%
Federal Home Loan Bank						
Discount Notes	99,984	99,984			Aaa	2.66%
STAROhio	2,746,651	2,746,651			AAAm	73.17%
	<u>\$3,753,592</u>	<u>\$3,381,826</u>	<u>\$323,296</u>	<u>\$48,470</u>		

\*All investment rating are Moody's ratings except for STAROhio, which is Standard and Poor's rating.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

**B. Interest Rate Risk**

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than five years from the date of investment.

**C. Credit Risk**

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 United States Government sponsored enterprises.

**D. Concentration of Credit Risk**

The School District's investment policy places no limit on the amount it may invest in any one issuer; however, State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The percentage that each investment represents of the total investments is listed in the table above.

**7. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**7. PROPERTY TAXES (Continued)**

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2013 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 reflected 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 inflows - property taxes.

The amount available as an advance at June 30, 2013, was \$339,729 and is recognized as revenue: \$318,718 in the General Fund and \$21,011 in the Bond Retirement Fund. The amount available as an advance at June 30, 2012, was \$580,516 in the General Fund and \$37,985 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 reported as deferred inflows of resources - unavailable revenue.

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

	<b>2012 Second- Half Collections</b>		<b>2013 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$156,235,570	97%	\$154,855,360	97%
Public Utility Personal	4,124,400	3%	4,372,700	3%
Total Assessed Value	<b>\$160,359,970</b>	<b>100%</b>	<b>\$159,228,060</b>	<b>100%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$71.00		\$71.00	

**8. RECEIVABLES**

Receivables at June 30, 2013 consisted of property taxes, accounts, intergovernmental grants, refunds 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 for delinquent property taxes are expected to be collected 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:

<b>Governmental Activities:</b>	<b>Amount</b>
Medicaid Reimbursement	\$ 11,676
Bureau of Workers Compensation Refund	37,061
School Employees Retirement System	54,179
School Improvement	189,791
Improving Teacher Quality	15,264
Total Intergovernmental Receivable	<b>\$307,971</b>

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**9. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/13</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, not Being Depreciated:</b>				
Land	\$ 1,569,249			\$ 1,569,249
<b>Capital Assets, Being Depreciated:</b>				
Land Improvements	2,103,540			2,103,540
Buildings and Improvements	18,896,351	\$172,925		19,069,276
Furniture and Equipment	6,361,894	38,443	(\$84,996)	6,315,341
Vehicles	1,027,244			1,027,244
Total Capital Assets, Being Depreciated	<u>28,389,029</u>	<u>211,368</u>	<u>(84,996)</u>	<u>28,515,401</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(1,257,691)	(50,647)		(1,308,338)
Buildings and Improvements	(10,403,204)	(524,057)		(10,927,261)
Furniture and Equipment	(5,477,513)	(200,457)	84,581	(5,593,389)
Vehicles	(726,184)	(59,210)		(785,394)
Total Accumulated Depreciation	<u>(17,864,592)</u>	<u>(834,371) *</u>	<u>84,581</u>	<u>(18,614,382)</u>
Capital Assets, Being Depreciated, Net	<u>10,524,437</u>	<u>(623,003)</u>	<u>(415)</u>	<u>9,901,019</u>
Governmental Activities Capital Assets, Net	<u>\$12,093,686</u>	<u>(\$623,003)</u>	<u>(\$ 415)</u>	<u>\$11,470,268</u>

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

<b>Instruction:</b>	
Regular	\$383,300
Special	7,649
Vocational	2,271
<b>Support Services:</b>	
Pupils	17,929
Instructional Staff	2,589
Board of Election	384
Administration	7,511
Fiscal	1,542
Business	730
Operation and Maintenance of Plant	83,782
Pupil Transportation	84,005
Operation of Non-Instructional Services	19,523
Extracurricular Activities	223,156
Total Depreciation Expense	<u>\$834,371</u>

**10. 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. The School District contracted with the Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program (Note 16) for general liability, property, and fleet insurance.

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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**10. RISK MANAGEMENT (Continued)**

**B. Medical Benefits**

The School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 55 school districts (Note 16). The School District pays monthly premiums to the Trust for employee medical, dental, life, 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.

**C. Workers' Compensation**

The School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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 participating school districts is calculated as one experience, and a common premium rate is applied to all school districts 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Corvel Corporation provides administrative, cost control, and actuarial services to the GRP.

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$289,161, \$320,441, and \$58,586, respectively. For fiscal year 2013, 65.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

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

**Plan Description** – 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

**Funding Policy** - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$919,166, \$991,146, and \$1,188,148, respectively. For fiscal year 2013, 81.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$12,059 made by the School District and \$8,613 made by the plan members. In addition, member contributions of \$7,063 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**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, 2013, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**12. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$45,703 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$66,673, \$55,850, and \$60,943, respectively. For fiscal year 2013, 65.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$16,334, \$18,998, and \$3,770 respectively. For fiscal year 2013, 65.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**12. POST-EMPLOYMENT BENEFITS (Continued)**

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

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

**Funding Policy** – Ohio Revised Code, Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$70,705, \$76,242, and \$89,922 respectively. For fiscal year 2013, 81.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**13. OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 20 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.

**14. LEASES - LESSEE DISCLOSURE**

During a prior fiscal year, the School District 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 debt. As of June 30, 2005, the work had been completed. The School District makes annual interest payments of 0.68 percent 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. Chase Leasing Corporation 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**14. LEASES - LESSEE DISCLOSURE (Continued)**

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, 2013:

<b>Fiscal Year Ending June 30,</b>	<b>Amount</b>
2014	\$30,600
2015	30,600
2016	30,600
2017	30,600
2018	30,600
2019	4,530,600
Total	4,683,600
Less: Amount Representing Interest	(183,600)
Present Value of Minimum Lease Payments	\$4,500,000

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

<b>Fiscal Year Ending June 30,</b>	<b>Interest</b>	<b>Sinking Fund Payments</b>	<b>Total Lease Payments</b>
2014	\$30,600	\$229,555	\$260,155
2015	30,600	229,555	260,155
2016	30,600	229,555	260,155
2017	30,600	229,555	260,155
2018	30,600	229,555	260,155
2019	30,600	30,600	30,600
	\$183,600	\$1,147,775	\$1,331,375

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

<b>Types / Issues</b>	<b>6/30/12</b>	<b>Issued</b>	<b>Retired</b>	<b>6/30/13</b>	<b>One Year</b>
<b>Governmental Activities:</b>					
<b>2003 School Improvement Bonds:</b>					
Serial Bonds 2.00-4.40%	\$530,000		\$260,000	\$270,000	\$270,000
Premium on Bonds	7,142		3,571	3,571	
<b>2012 School Improvement Refunding Bonds:</b>					
Serial Bonds 2.00-3.00%	4,865,000		145,000	4,720,000	100,000
Capital Appreciation Bonds 15.49-16.43%	280,000			280,000	
Accretion on Capital Appreciation Bonds	4,321	\$61,980		66,301	
Premium on Serial Bonds	92,720		6,251	86,469	
Premium on Capital Appreciation Bonds	406,610		46,031	360,579	
Total Long-Term Debt	6,185,793	61,980	460,853	5,786,920	370,000
Compensated Absences Payable	1,060,850	536,063	175,292	1,421,621	148,876
Capital Lease Payable	4,500,000			4,500,000	
Total Long-Term Obligations	\$11,746,643	\$598,043	\$636,145	\$11,708,541	\$518,876

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

**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. A portion of the serial bonds and all of the term bonds were refunded during fiscal year 2012 with the issuance of the 2012 School Improvement Refunding Bonds.

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.

**School Improvement Refunding Bonds** - On April 25, 2012, Northridge Local School District issued \$5,145,000 in school improvement refunding bonds. Of these bonds, \$4,865,000 are serial bonds, and \$280,000 are capital appreciation bonds. The bonds were issued for a 15-year period with final maturity during fiscal year 2027. The bonds were issued for the purpose of advance refunding a portion of the School Improvement Bonds. The bonds will be retired from the Bond Retirement Fund with property tax revenues.

The refunding bonds maturing on December 1, 2022 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within maturity, at the option of the Board of Education on or after December 1, 2021 at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$280,000, are not subject to prior redemption. The fiscal year 2013 accretion amount was \$61,980. The capital appreciation bonds will mature December 1, 2019 and 2020, in the amount of \$830,000.

The above amounts of refunded bonds are defeased and are not reported in the accompanying basic financial statements.

At June 30, 2013, \$5,000,000 of the refunded bonds were outstanding.

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

The School District's overall legal debt margin was \$9,473,807; and the un-voted debt margin was \$159,228 at June 30, 2013.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, are as follows:

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**15. LONG-TERM OBLIGATIONS (Continued)**

<u>Fiscal Year Ending June 30,</u>	<u>Serial Bonds</u>		<u>Capital Appreciation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$370,000	\$121,608		
2015	380,000	111,880		
2016	390,000	104,180		
2017	395,000	96,330		
2018	405,000	88,330	\$155,000	\$260,000
2019-2023	1,285,000	365,645	125,000	290,000
2024-2027	1,765,000	97,405		
Total	\$4,990,000	\$985,378	\$280,000	\$550,000

**16. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND PUBLIC ENTITY SHARED RISK 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 Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The Board exercises total control over the operations of MDECA including budgeting, appropriating, contracting and designating management. Each School district's degree of control is limited to its representation on the Board. Payments to MDECA are made from the General Fund. The School District paid MDECA \$42,827 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Executive 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 130 school districts in 18 counties. The purpose of SOEPC 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. The Board exercises total control over the operations of MDECA including budgeting, appropriating, contracting and designating management. Each School district's degree of control is limited to its representation on the Board. Payments to SOEPC are generally made from the General Fund. During fiscal year 2013, the School District paid \$847 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, 2013  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND PUBLIC ENTITY SHARED RISK POOL (Continued)**

**Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under chapter 1702 of the Ohio Revised Code. The purpose of SOITA 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 21 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. The Board exercises total control over the operations of MDECA including budgeting, appropriating, contracting and designating management. Each School district's degree of control is limited to its representation on the Board.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position 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 2013, the School District paid \$1,069 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim 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 nine 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 Board exercises total control over the operations of MDECA including budgeting, appropriating, contracting and designating management. Each School district's degree of control is limited to its representation on the Board. The School District did not contribute financially to this organization during fiscal year 2013. 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**16. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND PUBLIC ENTITY SHARED RISK POOL (Continued)**

**B. Insurance Purchasing Pool**

**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 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.

**Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program**

The School District participates in the Southwestern Ohio Educational Purchasing Council Liability, Fleet and Property Program (LFP). The LFP's business and affairs are conducted by a six-member committee consisting of various LFP representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Program of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participants.

**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 55 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 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.

**17. 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 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 School District is no longer required to set aside funds in the budget stabilization set aside, with the exception of refunds received from the Bureau of Workers Compensation, which must be spent for specified purposes.



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**17. SET-ASIDE CALCULATIONS (Continued)**

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

<u>Company</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Restricted Balance as of June 30, 2012		\$52,637
Current Fiscal Year Set-aside Requirement	\$298,894	
Current Fiscal Year Offsets	(298,894)	
Qualifying Disbursements		
Totals	\$0	\$52,637
Set-aside Balances Carried Forward to Future Fiscal Years	\$0	\$52,637
Set-aside Restricted Balance as of June 30, 2013	\$0	\$52,637

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

**18. SIGNIFICANT AND CONTRACTUAL COMMITMENTS**

**A. Significant Commitments**

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$479,561
Other Governmental Funds	204,576
Total	\$684,137

**B. Contractual Commitments**

The School District had contracts for various projects. Below is the various outstanding construction commitments at June 30, 2013:

<u>Contractor</u>	<u>Balance at 6/30/13</u>
E. Lee Construction	\$94,115
Westside Paving & Escavation	89,870
Eastway Corporation	70,153
Total	\$254,138

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**19. 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**B. Litigation**

The School District is not currently involved in a legal proceeding as of June 30, 2013.

**20. CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "Financial Reporting Entity: Omnibus," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."*

*GASB Statement No. 60* improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

*GASB Statement No. 61* modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

*GASB Statement No. 62* incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

*GASB Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

*GASB Statement No. 65* properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**20. CHANGES IN ACCOUNTING PRINCIPLES (Continued)**

*GASB Statement No. 66* resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

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NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$200,599		\$200,599	
National School Lunch Program	10.555	573,702	\$47,484	573,702	\$47,484
Total Child Nutrition Cluster		<u>774,301</u>	<u>47,484</u>	<u>774,301</u>	<u>47,484</u>
Team Nutrition Grants	10.574	1,398		1,398	
Fresh Fruit and Vegetable Program	10.582	48,752		48,752	
Total U.S. Department of Agriculture		<u>824,451</u>	<u>47,484</u>	<u>824,451</u>	<u>47,484</u>
<b>U.S. Department of Education</b>					
<i>Passed through Ohio Department of Education</i>					
Title 1, Part A Cluster					
Title I Grants to Local Educational Agencies	84.010	1,016,363		1,070,156	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389			150	
Total Title 1, Part A Cluster		<u>1,016,363</u>		<u>1,070,306</u>	
Special Education - Grants to States	84.027	410,273		412,545	
Improving Teacher Quality State Grants	84.367	146,219		151,667	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	350		350	
Total U.S. Department of Education		<u>1,573,205</u>		<u>1,634,868</u>	
Total Federal Financial Assistance		<u>2,397,656</u>	<u>\$47,484</u>	<u>\$2,459,319</u>	<u>\$47,484</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Northridge Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER AND FRESH FRUIT AND VEGETABLE PROGRAM**

The District commingles cash receipts from the U.S. Department of Agriculture with similar Federal and State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C - FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 21, 2014, wherein we noted the District adopted provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 21, 2014





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Report on Compliance for Each Major Federal Program

We have audited Northridge Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Northridge Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal programs.

### Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### Basis for Qualified Opinion on Title I

As described in finding 2013-001 in the accompanying schedule of findings, the District did not comply with requirements regarding level of effort and special tests and provisions applicable to its Title I major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

### Qualified Opinion on Title I

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I* paragraph, Northridge Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Title I* program for the year ended June 30, 2013.

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### **Unmodified Opinion on the Other Major Federal Programs**

In our opinion, Northridge Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended June 30, 2013.

### **Report on Internal Control over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-001 to be a material weakness.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 21, 2014

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Qualified:</b> Title I Grants to Local Educational Agencies  <b>Unmodified:</b> Special Education – Grants to States
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Grants to Local Educational Agencies: CFDA #84.010 Title I Grants to Local Educational Agencies, Recovery Act CFDA #84.389  Special Education – Grants to States: CFDA #84.027
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2013-001
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies: CFDA #84.010
<b>Federal Agency</b>	US Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Noncompliance/Material Weakness**

**Title I, Sections 1116(a) and (b)(1), (7), and (8) of the Elementary and Secondary Education Act (ESEA) (20 USC 6316(a) and (b)(1), (7), and (8)) and 34 CFR sections 200.30 through 200.34** require school districts annually review the progress of each school served under Title I, Part A to determine whether the school has made AYP. Every school and district must meet AYP goals that the ODE Accountability Model (approved by USDOE) has established for reading and mathematics proficiency and test participation, attendance rate and graduation rate. AYP determinations for districts and schools are based on test participation and proficiency rate goals. These goals are evaluated for the student groups when the minimum subgroup size has been met. AYP graduation and attendance goals are evaluated for the “All Students” group only. Failure to meet any of the proficiency or participation goals, attendance levels or graduation targets results in the district or school not meeting AYP. This is commonly referred to as a maintenance of effort requirement.

**Title I, Sections 1111(h)(2) and 1116(a)(1)(C) of ESEA (20 USC 6311(h)(2) and 6316(a)(1)(C)) and 34 CFR sections 200.36 through 200.38** also require each school district that receives Title I, Part A funds prepare and disseminate to all schools in the district—and to all parents of students attending those schools—an annual district-wide report card that, among other things, includes the number, names, and percentage of schools identified for school improvement and how long the schools have been so identified.

Under the No Child Left Behind (NCLB) model, a school’s report card specifies its performance as compared to other schools in Ohio. Specifically, the NCLB school report card displays student achievement data in reading, mathematics, science and other core subjects required by the state so that parents and the public can see how their schools are progressing over time. In addition, the report card includes information on student attendance rates and graduation rates.

A school’s performance on the report card can be affected by the students counted in the scoring. If the scores of low-performing students can be excluded from a particular school’s report card, the overall performance of that school shows a corresponding improvement.

Under NCLB, there are several allowable ways student test scores can be excluded from an individual school’s report card and pushed to the school district wide or state report card as described in ODE’s “Where Kids Count” (WKC) Methodology. Breaks in enrollment result in student test scores being pushed to the statewide composite report card. In this scenario, the local report card includes only students enrolled for the full academic year (FAY). A student must be enrolled continuously at a single school from the end of October count week to May 10th for grades 3-8 or March 19th for all other grades to qualify for the full academic year of attendance. When a lawful break in enrollment occurs, school districts push the student’s test scores to the State’s report card. Schools break enrollment by withdrawing or enrolling students between October count week and the end of the academic school year.

**FINDING NUMBER 2013-001  
(Continued)**

The concept of due process prior to withdrawal of truant students is further emphasized by the NLCB Act and IDEA. The NCLB Act requires every Title I eligible child be served under the program. Withdrawing students prior to receiving due process inaccurately inflates the school's AYP report card rating, which results in an understatement of Title I allocations to the eligible buildings within a school district.

The process of creating breaks in enrollment entails admitting or withdrawing students after the official October Average Daily Membership (ADM) count week. Valid reasons to create a "break" in enrollment are established pursuant to Chapter 2 of the 2012 ODE EMIS Manual. One of the more common reasons is the student withdrew due to truancy/non-attendance.

Ohio Rev. Code Section 3321.19 defines truancy and empowers Ohio school governing boards to adopt their own policies for intervention and withdrawal of students. If a parent, guardian, or other custodian of a habitual truant fails to cause the child's attendance at school, the board of education may proceed with an intervention strategy in accordance with its adopted policy, may initiate delinquency proceedings, or both. Each board is required under Ohio Rev. Code Section 3321.191 to adopt a policy to guide employees in addressing and ameliorating the habitual truancy of students.

With regard to truancy, schools are permitted to withdraw students only after appropriate due process. The statutes provide several procedural steps which schools must follow in dealing with violations of the compulsory attendance laws.

We obtained the ODE Education Management Information System (EMIS) information on student attendance and reviewed breaks in enrollment during fiscal year 2012 which cause student test scores to be pushed to the statewide composite report card.

We selected a sample of twenty students that were enrolled for only a portion of the 2012 fiscal year. While we noted the District has Board-approved policies regarding completion and maintenance of enrollment or withdrawal forms, our testing identified the following material weaknesses:

- Four of twenty student files tested did not have supporting documentation in their files to support the withdrawals that were entered into the EMIS system.
- One of twenty students tested was not accounted for in the District's system as attending the District at any time during fiscal year 2012. However, according to support in the student's file, the student attended the District the entire year, with only one day absent.

We recommend the District evaluate the Board-approved policies and establish formal procedures requiring the completion and maintenance of enrollment and withdrawal forms, and appropriate documentation supporting attendance events. The procedures should include training of its administrators, in addition to any other employees responsible, on the procedures to be performed as well as follow up reviews by the District's internal audit department, or other specifically designated independent committee, to ensure the procedures are being followed. Additionally, the School District should take due care in ensuring all appropriate documentation supporting the withdrawal code entered for a student is properly included in the student's file. Failure to do so may result in potential future losses of Title I funding.

**Officials' Response:**

See page 58 for the District's Corrective Action Plan.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	<p>Review of current registration and withdraw forms, as well as board policy, and update as necessary.</p> <p>Review and update board policy on Alternative School.</p> <p>Centralized registration and withdraw. This process began March 17, 2013.</p> <p>Training for administrators and secretaries on student records and accountability. Training will be provided by Montgomery County ESC, with refresher meetings at the beginning of each school year. This training took place on April 12, 2013.</p> <p>Request that when financials are audited that attendance is reviewed as well. The District is willing to pay additional dollars that this might incur.</p>	<p>Immediately</p> <p>Immediately</p> <p>2013-14 School Year</p>	David A. Jackson, Superintendent

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2012-001	Title I Material Non-Compliance/Material Weakness – Insufficient documentation related to student enrollment, student withdrawals, and students being home-schooled.	No	Repeated as Finding 2013-001

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Northridge Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated March 5, 2012, we noted the Board adopted an anti-harassment policy on February 22, 2010. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the February 22, 2010 policy. The policy lacks the following required by Ohio Rev. Code Section 3313.666.
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 21, 2014



# Dave Yost • 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 25, 2014**