



Dave Yost • Auditor of State



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Northridge Local School District  
Montgomery County  
2008 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, each major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**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*, and schedules of net pension liabilities and pension contributions 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 School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 June 30, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 30, 2017

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**Northridge Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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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, 2016. 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 2016 are as follows:

- At the start of fiscal year 2015 the School District entered into a three year agreement with the Northridge Teachers' Association and The Professionals Guild of Ohio (Effective July 2014 through July 31, 2017). Employees receive a 1.5 percent increase to base salary along with step advancement increases for each year of the contract.
- United Healthcare premiums saw no increase as well as no increase to Delta Dental premiums and Vision Service Plan. In order to offer employees an alternative to a regular PPO Healthcare Plan the School District began offering a High Deductible Healthcare Plan with a Health Savings Account effective in January of 2015.
- The State formula provides a number of different components to meet the needs of different populations of students. Northridge Schools realized a significant increase to State funding from the previous fiscal year. The largest increase was realized under the component of Capacity Aid, which is funded outside the cap. The School District saw an increase of \$846,000 partly from Capacity Aid and Disadvantage Pupils components.
- In May of 2015, the School District passed a Bond Levy in the amount of \$13,680,000 as well as a half mill maintenance levy for 23 years. The passage of the bond issue and half mill maintenance levy allowed the School District to enter into an agreement with The Ohio School Facilities Commission to design and construct one new elementary/middle/high school to house grades PK thru 12 along with integrating the 2005 Esther Dennis Middle School Gymnasium addition into the design. The School District will receive \$41,809,672 in State funds for the project. The project is scheduled to be complete in fiscal year 2020.

### **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

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*Management's Discussion and Analysis*  
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*Unaudited*

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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 nonmajor funds presented in total in one column.

## **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 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 funds are the General, School Improvement Bond, and Classroom Facilities – State Capital Projects Funds.

### *Governmental Funds*

All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called

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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 a private purpose trust fund and an agency fund. 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.

**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 2016 and 2015:

Table 1  
 Net Position  
 Governmental Activities

	2016	2015	Change
<b>Assets:</b>			
Current and Other Assets	\$81,848,327	\$23,691,216	\$58,157,111
Capital Assets	10,008,549	10,629,456	(620,907)
Total Assets	<u>91,856,876</u>	<u>34,320,672</u>	<u>57,536,204</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Refunding	295,036	322,270	(27,234)
Pension	3,096,850	1,755,494	1,341,356
Total Deferred Outflows of Resources	<u>3,391,886</u>	<u>2,077,764</u>	<u>1,314,122</u>
<b>Liabilities:</b>			
Other Liabilities	1,793,551	1,754,106	39,445
Long-Term Liabilities:			
Net Pension Liability	27,328,262	23,587,716	3,740,546
Other Liabilities	24,746,359	10,841,199	13,905,160
Total Liabilities	<u>\$53,868,172</u>	<u>\$36,183,021</u>	<u>\$17,685,151</u>

*(continued)*

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*Management's Discussion and Analysis*  
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Table 1  
 Net Position  
 Governmental Activities  
 (Continued)

	2016	2015	Change
<b>Deferred Inflows of Resources:</b>			
Property Taxes	\$6,784,312	\$6,759,063	\$25,249
Pension	1,748,372	4,252,865	(2,504,493)
Total Deferred Inflows or Resources	<u>8,532,684</u>	<u>11,011,928</u>	<u>(2,479,244)</u>
<b>Net Position:</b>			
Net Investment in			
Capital Assets	1,383,383	1,589,242	(205,859)
Restricted	46,843,659	4,555,375	42,288,284
Unrestricted (Deficit)	<u>(15,379,136)</u>	<u>(16,941,130)</u>	1,561,994
Total Net Position	<u>\$32,847,906</u>	<u>(\$10,796,513)</u>	<u>\$43,644,419</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of

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the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Capital Assets decreased \$620,907, due to depreciation exceeding current year additions. Current and Other Assets increased \$58,157,111, due to the intergovernmental receivable relating to the Ohio School Facility Project.

Total other long-term liabilities increased \$13,905,160 from fiscal year 2015. The increase is related to the debt issued as part of the Ohio School Facilities Project.

In total, net position increased \$43,644,419. Restricted net position increased \$42,288,284 mainly due an increase in intergovernmental receivable and property taxes receivable. Intergovernmental receivable increased due to the grant funding for the Ohio School Facility Project. The increase in property taxes receivable is due to the passing of a new levy in May of 2015 with fiscal year 2016 being a full year of collection, as well as payments on delinquencies.

Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints, increased \$1,561,994. The increase is due to revenues exceeding expenditures.

Table 2 shows the changes in net position for the fiscal years 2016 and 2015.

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Table 2  
Changes in Net Position  
Governmental Activities

	2016	2015	Change
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$1,705,588	\$1,826,816	(\$121,228)
Operating Grants, Interest and Contributions	4,138,596	4,129,707	8,889
Total Program Revenues	<u>5,844,184</u>	<u>5,956,523</u>	<u>(112,339)</u>
General Revenues:			
Property Taxes	6,797,875	7,360,081	(562,206)
Grants and Entitlements not Restricted to Specific Programs	55,228,949	11,856,572	43,372,377
Investment Earnings	342,241	126,716	215,525
Payments in Lieu of Taxes	13,671	60,097	(46,426)
Gifts and Donations	310	0	310
Miscellaneous	22,060	266,039	(243,979)
Total General Revenues	<u>62,405,106</u>	<u>19,669,505</u>	<u>42,735,601</u>
Total Revenues	<u>68,249,290</u>	<u>25,626,028</u>	<u>42,623,262</u>
<b>Program Expenses:</b>			
Instruction:			
Regular	9,547,158	8,845,005	702,153
Special	3,622,517	3,583,486	39,031
Vocational	147	2,933	(2,786)
Student Intervention Services	30,394	11,469	18,925
Support Services:			
Pupils	1,491,389	1,352,298	139,091
Instructional Staff	782,109	638,946	143,163
Board of Education	33,828	42,221	(8,393)
Administration	2,334,482	2,030,593	303,889
Fiscal	467,649	505,984	(38,335)
Business	6,198	16,498	(10,300)
Operation and Maintenance of Plant	1,970,188	1,942,053	28,135
Pupil Transportation	1,300,405	1,283,952	16,453
Central	171,316	221,955	(50,639)
Operation of Non-Instructional Services	1,203,858	1,050,452	153,406
Extracurricular Activities	760,673	975,469	(214,796)
Interest and Fiscal Charges	882,560	180,709	701,851
Total Expenses	<u>24,604,871</u>	<u>22,684,023</u>	<u>1,920,848</u>
Change in Net Position	43,644,419	2,942,005	<u>\$40,702,414</u>
Net Position at Beginning of Year	<u>(10,796,513)</u>	<u>(13,738,518)</u>	
Net Position at End of Year	<u>\$32,847,906</u>	<u>(\$10,796,513)</u>	

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**Governmental Activities**

In total, revenues increased \$42,623,262 and expenses increased \$1,920,848, resulting in an overall net increase of \$40,702,414. This large increase is related to the Ohio School Facilities grants.

Property taxes made up 9.9 percent of revenues for governmental activities for the School District during fiscal year 2016. The decrease in property tax revenue of \$562,206 was mainly due to the increased amount of delinquent property taxes collected in fiscal year 2015, along with a decrease in the School District's valuation.

General Revenues increased \$42,735,601 from fiscal year 2015. The increase is mainly due to an increase in dollars from the OSFC project that the district entered into with the State of Ohio. Those dollars are restricted to the building project. Program Revenues decreased \$112,339 from fiscal year 2015 due to a decrease in federal funding.

Overall expenses increased \$1,920,848, or 8.5 percent from fiscal year 2015. Regular instruction increased \$702,153 due to salary increases and an increase in retirements and severance payments. Interest and fiscal charges increased \$701,851 due to the required interest payments related to the new bond issue.

**The School District's Funds**

The School District's major funds are the General Fund, School Improvement Bond and Classroom Facilities – State Capital Projects funds. These funds are accounted for using the modified accrual basis of accounting. The General Fund accounts for 73.2 percent of total revenues and 81.2 percent of total expenditures. The General Fund balance increased \$3,140,355 due to revenues exceeding expenditures for the year. The School improvement Bond Fund increased \$4,555,018 due to the issuance of the debt related to the Ohio School Facilities Project. The Classroom Facilities – State fund increased \$13,008,019 due to intergovernmental revenue and bond proceeds related to the Ohio School Facilities Project.

**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.

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For the General Fund, the final budget basis revenue and other financing sources increased \$1,627,516 from the original budgeted estimates. The change was due to a increase in intergovernmental revenue for fiscal year 2016. Actual revenues equaled the final budget basis revenues.

During the course of fiscal year 2016, 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 \$158,704 less than final budgeted amounts.

**Capital Assets**

Table 3 shows fiscal year 2016 balances compared to fiscal year 2015.

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

	2016	2015
Land	\$1,793,574	\$1,793,574
Land Improvements	828,272	891,401
Buildings and Improvements	6,594,493	7,104,413
Furniture and Equipment	464,159	537,104
Vehicles	328,051	302,964
Totals	\$10,008,549	\$10,629,456

Overall capital assets decreased \$620,907 from fiscal year 2015. The decrease is due to depreciation exceeding current year additions. For more information on capital assets, refer to Note 8 of the basic financial statements.

**Debt Administration**

At June 30, 2016, the School District had \$17,810,000 in bonds outstanding, as well as premium on bonds in the amount of \$834,709. \$390,000 represents the amount of debt principal payments made during fiscal year 2016 and \$395,000 represents the amount of debt principal due during fiscal year 2017. 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 13 and 14 of the basic financial statements.



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**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 community overwhelmingly approved a bond issue in May of 2015 for the construction of a new PK-12 school building, which will enable the School District to receive \$41,809,672 in State funds for the project. The passage of the bond issue will help to solidify the financial stability of the School District going forward. It will alleviate the burden of costly repairs to older buildings and out of date designs. It will help to enhance the quality of teaching and learning and provide updated health and safety designs to aid in student achievement.

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 Jennifer Whitton, Treasurer, at Northridge Local School District, 2008 Timber Lane, Dayton, Ohio 45414, or email at [mhellyer@northridgeschools.org](mailto:mhellyer@northridgeschools.org).

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**Northridge Local School District**

*Statement of Net Position*

*June 30, 2016*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$30,580,321
Cash and Cash Equivalents in Segregated Accounts	2,000
Accrued Interest Receivable	27,985
Intergovernmental Receivable	38,648,945
Accounts Receivable	9,215
Materials and Supplies Inventory	10,231
Inventory Held for Resale	7,665
Property Taxes Receivable	9,048,163
Investments with Escrow Agents	3,513,802
Nondepreciable Capital Assets	1,793,574
Depreciable Capital Assets, Net	8,214,975
Total Assets	<u>91,856,876</u>
<b>Deferred Outflows of Resources:</b>	
Deferred Charge on Refunding	295,036
Pension	3,096,850
Total Deferred Outflows of Resources	<u>3,391,886</u>
<b>Liabilities:</b>	
Accounts Payable	122,693
Accrued Wages and Benefits Payable	1,230,697
Matured Compensated Absences Payable	61,454
Accrued Interest Payable	73,733
Intergovernmental Payable	304,974
Long-Term Liabilities:	
Due Within One Year	649,876
Due in More Than One Year:	
Net Pension Liability (See Note 10)	27,328,262
Other Liabilities	24,096,483
Total Liabilities	<u>53,868,172</u>
<b>Deferred Inflows of Resources:</b>	
Property Taxes	6,784,312
Pension	1,748,372
Total Deferred Inflows of Resources	<u>8,532,684</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	1,383,383
Restricted for:	
Debt Service	3,890,287
Capital Outlay	42,026,800
Food Service	698,693
District Managed Activities	22,285
Federal Grants	152,957
Set-Asides	52,637
Unrestricted (Deficit)	(15,379,136)
Total Net Position	<u>\$32,847,906</u>

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Program Revenues			<i>Net (Expense)</i> Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants, Interest and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$9,547,158	\$972,514	\$387,157	(\$8,187,487)
Special	3,622,517	241,751	2,203,954	(1,176,812)
Vocational	147	0	11,496	11,349
Student Intervention Services	30,394	0	12,920	(17,474)
Support Services:				
Pupils	1,491,389	3,025	43,200	(1,445,164)
Instructional Staff	782,109	0	185,354	(596,755)
Board of Education	33,828	0	0	(33,828)
Administration	2,334,482	20,785	50,492	(2,263,205)
Fiscal	467,649	0	0	(467,649)
Business	6,198	0	0	(6,198)
Operation and Maintenance of Plant	1,970,188	0	0	(1,970,188)
Pupil Transportation	1,300,405	142,647	16,688	(1,141,070)
Central	171,316	0	0	(171,316)
Operation of Non-Instructional				
Services	1,203,858	94,746	1,221,375	112,263
Extracurricular Activities	760,673	230,120	5,960	(524,593)
Interest and Fiscal Charges	882,560	0	0	(882,560)
<b>Total Governmental Activities</b>	<b>\$24,604,871</b>	<b>\$1,705,588</b>	<b>\$4,138,596</b>	<b>(18,760,687)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	5,887,981
Debt Service	858,072
Classroom Facilities	51,822
Grants and Entitlements not Restricted to Specific Programs	55,228,949
Investment Earnings	342,241
Payments in Lieu of Taxes	13,671
Gifts and Donations	310
Miscellaneous	22,060
<b>Total General Revenues</b>	<b>62,405,106</b>

Change in Net Position 43,644,419

Net Position (Deficit) at

Beginning of Year	(10,796,513)
<b>Net Position at End of Year</b>	<b>\$32,847,906</b>

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2016*

	General Fund	School Improvement Bond Fund	Classroom Facilities - State Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$11,321,415	\$4,591,387	\$13,003,119	\$1,611,763	\$30,527,684
Cash and Cash Equivalents in Segregated Accounts	0	0	0	2,000	2,000
Receivables:					
Property Taxes	7,775,475	0	0	1,272,688	9,048,163
Accounts	8,951	0	0	264	9,215
Intergovernmental	314,819	0	38,087,282	246,844	38,648,945
Accrued Interest	2,973	8,232	16,780	0	27,985
Materials and Supplies Inventory	7,240	0	0	2,991	10,231
Inventory Held for Resale	0	0	0	7,665	7,665
Restricted Assets:					
Investments with Escrow Agents	3,513,802	0	0	0	3,513,802
Equity in Pooled Cash and Cash Equivalents	52,637	0	0	0	52,637
<b>Total Assets</b>	<b>\$22,997,312</b>	<b>\$4,599,619</b>	<b>\$51,107,181</b>	<b>\$3,144,215</b>	<b>\$81,848,327</b>
<b>Liabilities:</b>					
Accounts Payable	\$105,311	\$0	\$0	\$17,382	\$122,693
Accrued Wages and Benefits Payable	1,082,993	0	0	147,704	1,230,697
Matured Compensated Absences Payable	61,454	0	0	0	61,454
Intergovernmental Payable	282,630	0	0	22,344	304,974
<b>Total Liabilities</b>	<b>1,532,388</b>	<b>0</b>	<b>0</b>	<b>187,430</b>	<b>1,719,818</b>
<b>Deferred Inflows of Resources:</b>					
Property Taxes	5,826,645	0	0	957,667	6,784,312
Unavailable Revenue	1,328,871	5,828	38,099,162	387,945	39,821,806
<b>Total Deferred Inflows of Resources</b>	<b>7,155,516</b>	<b>5,828</b>	<b>38,099,162</b>	<b>1,345,612</b>	<b>46,606,118</b>
<b>Fund Balances:</b>					
Nonspendable	7,240	0	0	2,991	10,231
Restricted	3,566,439	4,593,791	13,008,019	1,646,137	22,814,386
Assigned	428,097	0	0	0	428,097
Unassigned (Deficit)	10,307,632	0	0	(37,955)	10,269,677
<b>Total Fund Balances</b>	<b>14,309,408</b>	<b>4,593,791</b>	<b>13,008,019</b>	<b>1,611,173</b>	<b>33,522,391</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$22,997,312</b>	<b>\$4,599,619</b>	<b>\$51,107,181</b>	<b>\$3,144,215</b>	<b>\$81,848,327</b>

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2016*

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Total Governmental Fund Balances \$33,522,391

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,793,574	
Land Improvements	2,318,386	
Buildings and Improvements	18,988,414	
Furniture and Equipment	4,879,162	
Vehicles	1,255,106	
Accumulated Depreciation	<u>(19,226,093)</u>	
Total Capital Assets		10,008,549

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

Property Taxes	1,544,499	
Interest	19,089	
Intergovernmental Grants	<u>38,258,218</u>	
Total		39,821,806

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(73,733)

Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.

295,036

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds

Deferred Outflows - Pension	3,096,850	
Deferred Inflows - Pension	(1,748,372)	
Net Pension Liability	<u>(27,328,262)</u>	
Total		(25,979,784)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Premium on Bonds	(834,709)	
Accretion on Capital Appreciation Bonds	(244,590)	
General Obligation Bonds	(17,530,000)	
Capital Appreciation Bonds	(280,000)	
Capital Leases	(4,500,000)	
Compensated Absences	<u>(1,357,060)</u>	
Total Liabilities		<u>(24,746,359)</u>

Net Position of Governmental Activities \$32,847,906

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General Fund	School Improvement Bond Fund	Classroom Facilities - State Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$7,053,032	\$0	\$0	\$842,572	\$7,895,604
Intergovernmental	14,154,657	0	3,722,390	3,435,473	21,312,520
Interest	162,505	52,751	107,896	0	323,152
Tuition and Fees	1,353,727	0	0	0	1,353,727
Extracurricular Activities	27,681	0	0	105,992	133,673
Charges for Services	0	0	0	100,736	100,736
Rent	117,452	0	0	0	117,452
Gifts and Donations	19,700	0	0	10,996	30,696
Payments in Lieu of Taxes	13,671	0	0	0	13,671
Miscellaneous	10,496	0	0	11,564	22,060
<b>Total Revenues</b>	<b>22,912,921</b>	<b>52,751</b>	<b>3,830,286</b>	<b>4,507,333</b>	<b>31,303,291</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Instruction:					
Regular	8,875,961	0	0	390,818	9,266,779
Special	2,253,410	0	0	1,417,004	3,670,414
Student Intervention Services	17,765	0	0	13,646	31,411
Support Services:					
Pupils	1,404,197	0	0	44,398	1,448,595
Instructional Staff	588,913	0	0	184,512	773,425
Board of Education	34,023	0	0	0	34,023
Administration	2,268,190	0	0	66,700	2,334,890
Fiscal	454,659	0	0	14,251	468,910
Business	6,198	0	0	0	6,198
Operation and Maintenance of Plant	1,894,897	0	0	0	1,894,897
Pupil Transportation	1,305,976	0	0	1,920	1,307,896
Central	161,786	0	0	0	161,786
Operation of Non-Instructional Services	15,246	0	0	1,176,155	1,191,401
Extracurricular Activities	444,645	0	0	106,895	551,540
Capital Outlay	16,100	0	0	0	16,100
Debt Service:					
Principal Retirement	0	0	0	390,000	390,000
Interest and Fiscal Charges	30,600	0	0	768,766	799,366
<b>Total Expenditures</b>	<b>19,772,566</b>	<b>0</b>	<b>0</b>	<b>4,575,065</b>	<b>24,347,631</b>
Excess of Revenues Over (Under) Expenditures	3,140,355	52,751	3,830,286	(67,732)	6,955,660
<b>Other Financing Sources:</b>					
Bonds Issued	0	4,502,267	9,177,733	0	13,680,000
Premium on Bonds Issued	0	0	0	556,789	556,789
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>4,502,267</b>	<b>9,177,733</b>	<b>556,789</b>	<b>14,236,789</b>
Net Change in Fund Balances	3,140,355	4,555,018	13,008,019	489,057	21,192,449
Fund Balances at Beginning of Year	11,169,053	38,773	0	1,122,116	12,329,942
Fund Balances at End of Year	<u>\$14,309,408</u>	<u>\$4,593,791</u>	<u>\$13,008,019</u>	<u>\$1,611,173</u>	<u>\$33,522,391</u>

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds		\$21,192,449
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital Outlay	163,111	
Current Year Depreciation Expense	<u>(784,018)</u>	
Excess of Depreciation Expense over Capital Outlay		(620,907)
<p>Other financing sources, such as proceeds of bonds, loans, and notes, in the governmental funds increase long-term liabilities in the statement of net position. In the current fiscal year, these amounts consist of:</p>		
Premium on Bonds	(556,789)	
Proceeds of Bonds	<u>(13,680,000)</u>	
Total		(14,236,789)
<p>Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These amounts consist of:</p>		
Refunding Bond Principal Payments		390,000
<p>Accretion and amortization of bond premiums, the deferred loss on refunding debt, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities</p>		
Amortization of Premium on Bonds	64,564	
Amortization of Loss on Refunding	(27,234)	
Accretion on Capital Appreciation Bonds	(74,493)	
Increase in Accrued Interest Payable	<u>(46,031)</u>	
Total		(83,194)
<p>Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds. Deferred inflows of resources changed by these amounts this fiscal year:</p>		
Property Taxes	(1,097,729)	
Intergovernmental Grants	38,024,639	
Interest	<u>19,089</u>	
Total		36,945,999
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the Statement on Net Position reports these amounts as deferred outflows.</p>		
		1,565,433
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.</p>		
		(1,460,130)
<p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>		
Increase in Compensated Absences		<u>(48,442)</u>
Change in Net Position of Governmental Activities		<u>\$43,644,419</u>

See Accompanying Notes to the Basic Financial Statements



**Northridge Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property Taxes	\$7,151,195	\$6,816,970	\$6,816,970	\$0
Intergovernmental	12,076,708	13,801,449	13,801,449	0
Interest	11,083	36,949	36,949	0
Tuition and Fees	1,224,745	1,367,340	1,367,340	0
Extracurricular Activities	26,125	27,745	27,745	0
Rent	84,232	118,867	118,867	0
Gifts and Donations	8,820	20,575	20,575	0
Payments in Lieu of Taxes	22,166	13,671	13,671	0
Miscellaneous	1,767	3,665	3,665	0
Total Revenues	<u>20,606,841</u>	<u>22,207,231</u>	<u>22,207,231</u>	<u>0</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction:				
Regular	8,761,010	8,809,275	8,973,745	(164,470)
Special	2,433,719	2,438,484	2,248,227	190,257
Vocational	2,820	2,786	0	2,786
Student Intervention Service	17,500	17,500	17,500	0
Support Services:				
Pupils	1,295,727	1,289,315	1,422,699	(133,384)
Instructional Staff	614,179	600,811	594,530	6,281
Board of Education	43,306	43,306	33,959	9,347
Administration	2,111,099	2,096,017	2,312,975	(216,958)
Fiscal	502,170	502,170	474,437	27,733
Business	41,158	41,158	10,014	31,144
Operation and Maintenance of Plant	2,081,143	2,129,442	2,035,691	93,751
Pupil Transportation	1,278,068	1,333,523	1,326,955	6,568
Central	222,208	205,931	161,939	43,992
Operation of Non-Instructional Services	1,561	1,561	13,337	(11,776)
Extracurricular Activities	443,186	689,990	543,925	146,065
Capital Outlay	267,504	216,193	88,825	127,368
Debt Service:				
Interest and Fiscal Charges	30,600	30,600	30,600	0
Total Expenditures	<u>20,146,958</u>	<u>20,448,062</u>	<u>20,289,358</u>	<u>158,704</u>
Excess of Revenues Over (Under) Expenditures	<u>459,883</u>	<u>1,759,169</u>	<u>1,917,873</u>	<u>158,704</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	6,650	0	0	0
Payment to Escrow Agent	(229,555)	(229,555)	(229,555)	0
Refund of Prior Year Expenditures	44,333	78,109	78,109	0
Total Other Financing Sources (Uses)	<u>(178,572)</u>	<u>(151,446)</u>	<u>(151,446)</u>	<u>0</u>
Net Change in Fund Balance	281,311	1,607,723	1,766,427	158,704
Fund Balance at Beginning of Year	8,780,258	8,780,258	8,780,258	0
Prior Year Encumbrances Appropriated	326,381	326,381	326,381	0
Fund Balance at End of Year	<u>\$9,387,950</u>	<u>\$10,714,362</u>	<u>\$10,873,066</u>	<u>\$158,704</u>

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2016*

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	Private Purpose Trust Fund	Agency Fund
	<u>                    </u>	<u>                    </u>
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$9,817	\$12,737
	<u>                    </u>	<u>                    </u>
<b><u>Liabilities:</u></b>		
Due To Students	0	\$12,737
	<u>                    </u>	<u>                    </u>
<b><u>Net Position:</u></b>		
Held in Trust for Scholarships	\$9,817	
	<u>                    </u>	

See accompanying notes to the basic financial statements

**Northridge Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2016*

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	Private Purpose Trust Fund
<b><u>Additions:</u></b>	
Contributions and Donations	\$1,134
Miscellaneous	435
	1,569
<b><u>Deductions:</u></b>	
Payment in Accordance With Trust Agreements	6,175
	(4,606)
Change in Net Position	(4,606)
Net Position at Beginning of Year	14,423
	14,423
Net Position at End of Year	\$9,817
	\$9,817

See accompanying notes to the basic financial statements

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**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 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 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 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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

**NOTE 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.

**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.

*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.

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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*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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**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.

*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 are the School District's major governmental funds:

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.

School Improvement Bond Fund – The School Improvement Bond Fund accounts for and reports restricted receipts and expenditures related to all special bond funds in the School District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund to be used for the costs of acquiring capital facilities including real property.

Classroom Facilities – State Fund – The Classroom Facilities - State Fund accounts for and reports restricted monies received and expended in connection with constructing improvements, renovations, and additions to the School District's buildings, including equipment, furniture, and fixtures.

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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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*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.

**Measurement Focus**

*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.

*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.

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

**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/outflows of resources, and in the presentation of expenses versus expenditures.



**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
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*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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

*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 represent 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 are reported on the government-wide statement of net position for deferred charge on refunding and pension. 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. The deferred outflows of resources related to pension are explained in Note 10.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental

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*Notes to the Basic Financial Statements*  
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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 and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 10).

#### *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.

#### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

#### **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 2016, the School District invested in the First American Government Obligation Money Market Fund, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Notes, Federal National Mortgage Association Notes, Commercial Paper, Certificates of Deposit, and the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value, which is based on the fund's share price. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows

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governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2016 amounted to \$162,505, which includes \$86,521 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

### **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.

### **Inventory**

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

### **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

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and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$1,500. 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	5-20 years
Vehicles	10-15 years

**Compensated Absences**

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

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

**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

**Northridge Local School District**  
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governmental funds. However, compensated absences and net pension liability 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.

**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:

*Nonspendable* – The nonspendable 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.

*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

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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.

**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.

**Budgetary Process**

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

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

The 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. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year, including all supplemental appropriations.

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

For governmental activities, bond premiums are deferred and amortized over the term of the

**Northridge Local School District**  
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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.

**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.

**NOTE 3 - ACCOUNTABILITY**

At June 30, 2016, the following funds had a deficit fund balance:

<u>Funds</u>	<u>Amounts</u>
Special Revenue:	
Title VI-B	\$2,196
Title I	28,785
Title VI-R	<u>6,974</u>
Total	<u><u>\$37,955</u></u>

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

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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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. 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.

Net Change in Fund Balance

	General
GAAP Basis	\$3,140,355
Revenue Accruals	(623,179)
Expenditure Accruals	(22,610)
Encumbrances	(494,182)
Sinking Fund Payment to Escrow Agent	(229,555)
Change in Fair Value of Investments FY15	2,402
Change in Fair Value of Investments FY16	(6,804)
Budget Basis	\$1,766,427

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies that are not



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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio and certain limitations of bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
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**Investments**

As of June 30, 2016, 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.

	Measurement Amount	Maturity	Rating *	Percent of Total Investments
Fair Value:				
First American Government				
Obligation Money Market Fund	\$153,180	Less than one year	N/A	N/A
Federal Home Loan Bank Notes	1,064,079	Less than four years	Aaa	5.02%
Federal Home Loan Mortgage Notes	1,226,984	Less than five years	Aaa	5.79%
Federal National Mortgage				
Association Notes	3,183,796	Less than four years	Aaa	15.03%
Commercial Paper	3,179,034	Less than one year	P-1	15.00%
Negotiable Certificates of Deposit	6,048,312	Less than four years	N/A	28.55%
Net Asset Value Per Share:				
STAROhio	6,332,738	Less than one year	AAAm	29.89%
	<u>\$21,188,123</u>			

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

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

*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.

*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.

*Concentration of Credit Risk*

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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.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 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, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows - property taxes.

The amount available as an advance at June 30, 2016, was \$719,352 and is recognized as revenue: \$621,340 in the General Fund, \$92,327 in the Bond Retirement Fund, and \$5,685 in the Classroom Facility Maintenance Fund. The amount available as an advance at June 30, 2015, was \$385,278 in the General Fund and \$23,354 in the Bond Retirement Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable

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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 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$136,039,010	96%	\$134,803,720	96%
Public Utility Personal	4,948,760	4%	4,965,390	4%
Total Assessed Value	\$140,987,770	100%	\$139,769,110	100%
 Tax Rate per \$1,000 of Assessed Valuation	 \$71.00		 \$76.42	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of property taxes, accounts, intergovernmental grants, and accrued 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. Ohio School Facilities Commission Grant monies will be collected over the life of the construction of new facilities. 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:

Governmental Activities:	Amount
Medicaid Reimbursement	\$4,742
Special Education Tuition	68,851
Special Education Part B	8,537
Title I	228,453
Improving Teacher Quality	9,354
Foundation Adjustment	241,226
OSFC Grant	38,087,282
Other Receivables	500
Total Intergovernmental Receivable	\$38,648,945

**NOTE 8 - CAPITAL ASSETS**

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Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/15	Additions	Deductions	Balance 6/30/16
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$1,793,574	\$0	\$0	\$1,793,574
Capital Assets, Being Depreciated:				
Land Improvements	2,318,386	0	0	2,318,386
Buildings and Improvements	18,972,314	16,100	0	18,988,414
Furniture and Equipment	4,859,092	29,791	(9,721)	4,879,162
Vehicles	1,137,886	117,220	0	1,255,106
Total Capital Assets, Being Depreciated	<u>27,287,678</u>	<u>163,111</u>	<u>(9,721)</u>	<u>27,441,068</u>
Less Accumulated Depreciation:				
Land Improvements	(1,426,985)	(63,129)	0	(1,490,114)
Buildings and Improvements	(11,867,901)	(526,020)	0	(12,393,921)
Furniture and Equipment	(4,321,988)	(102,736)	9,721	(4,415,003)
Vehicles	(834,922)	(92,133)	0	(927,055)
Total Accumulated Depreciation	<u>(18,451,796)</u>	<u>(784,018) *</u>	<u>9,721</u>	<u>(19,226,093)</u>
Capital Assets, Being Depreciated, Net	<u>8,835,882</u>	<u>(620,907)</u>	<u>0</u>	<u>8,214,975</u>
Total Governmental Activities				
Capital Assets, Net	<u>\$10,629,456</u>	<u>(\$620,907)</u>	<u>\$0</u>	<u>\$10,008,549</u>

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

Instruction:	
Regular	\$308,517
Special	909
Vocational	147
Support Services:	
Pupils	16,422
Administration	1,898
Fiscal	392
Operation and Maintenance of Plant	90,084
Pupil Transportation	116,306
Central	8,543
Operation of Non-Instructional Services	18,649
Extracurricular Activities	222,151
Total Depreciation Expense	<u>\$784,018</u>

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**NOTE 9 - RISK MANAGEMENT**

**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 15) 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.

**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 15). 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.

**Workers' Compensation**

The School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the 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 Hunter Corporation provides administrative, cost control, and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit

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	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service, 2.5 percent for years of service credit over 30 or \$86 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$416,636 for fiscal year 2016. Of this amount \$43,844 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the



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original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

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The School District's contractually required contribution to STRS was \$1,148,797 for fiscal year 2016. Of this amount \$81,912 is reported as an intergovernmental payable.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.09657400%	0.07688117%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.09807130%</u>	<u>0.07863429%</u>	
Change in Proportionate Share	<u>0.00149730%</u>	<u>0.00175312%</u>	
Proportionate Share of the Net			
Pension Liability	\$5,596,044	\$21,732,218	\$27,328,262
Pension Expense	\$375,594	\$1,084,536	\$1,460,130

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$90,106	\$990,715	\$1,080,821
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	65,371	385,225	450,596
School District contributions subsequent to the measurement date	<u>416,636</u>	<u>1,148,797</u>	<u>1,565,433</u>
Total Deferred Outflows of Resources	<u>\$572,113</u>	<u>\$2,524,737</u>	<u>\$3,096,850</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$185,415</u>	<u>\$1,562,957</u>	<u>\$1,748,372</u>
Total Deferred Inflows of Resources	<u>\$185,415</u>	<u>\$1,562,957</u>	<u>\$1,748,372</u>

\$1,565,433 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2017	(\$46,449)	(\$256,402)	(\$302,851)
2018	(46,449)	(256,402)	(302,851)
2019	(46,875)	(256,402)	(303,277)
2020	109,835	582,189	692,024
Total	(\$29,938)	(\$187,017)	(\$216,955)

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$7,759,701	\$5,596,044	\$3,774,065

**Changes Between Measurement Date and Report Date** In April 2016, the SERS Board adopted certain assumption changes which impact their annual actuarial valuation prepared as of June 30,

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2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

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Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$30,187,690	\$21,732,218	\$14,581,855

**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, 2016, four members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is 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.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a

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combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$52,036.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$71,407, and \$68,875, respectively. The full amount has been contributed for all three fiscal years.

**State Teachers Retirement System of Ohio**

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered 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 discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and, \$68,930, respectively. The full amount has been contributed for all three fiscal years.

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**NOTE 12 - 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.

**NOTE 13 - 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. 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.

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, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$30,600
2018	30,600
2019	<u>4,530,600</u>
Total	4,591,800
Less: Amount Representing Interest	<u>(91,800)</u>
Present Value of Minimum Lease Payments	<u><u>\$4,500,000</u></u>

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



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Fiscal Year Ending June 30,	Interest	Sinking Fund Payments	Total Lease Payments
2017	\$30,600	\$229,555	\$260,155
2018	30,600	229,555	260,155
2019	30,600	0	30,600
	<u>\$91,800</u>	<u>\$459,110</u>	<u>\$550,910</u>

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

Types / Issues	Balance 6/30/15	Issued	Retired	Balance 6/30/16	Due Within One Year
<b><u>Governmental Activities:</u></b>					
2012 School Improvement					
Refunding Bonds:					
Serial Bonds 2.00-3.00%	\$4,240,000	\$0	\$390,000	\$3,850,000	\$395,000
Capital Appreciation Bonds 15.49-16.43%	280,000	0	0	280,000	0
Accretion on Capital Appreciation Bonds	170,097	74,493	0	244,590	0
Premium on Serial Bonds	73,967	0	6,251	67,716	0
Premium on Capital Appreciation Bonds	268,517	0	46,031	222,486	0
2015 School Improvement	0	13,680,000	0	13,680,000	0
Premium on Bonds	0	556,789	12,282	544,507	0
<b>Total Long-Term Debt</b>	<u>5,032,581</u>	<u>14,311,282</u>	<u>454,564</u>	<u>18,889,299</u>	<u>395,000</u>
Other Long-Term Obligations:					
Net Pension Liability:					
SERS	\$4,887,555	\$708,489	\$0	\$5,596,044	\$0
STRS	18,700,161	3,032,057	0	21,732,218	0
<b>Total Net Pension Liability</b>	<u>23,587,716</u>	<u>3,740,546</u>	<u>0</u>	<u>27,328,262</u>	<u>0</u>
Compensated Absences Payable	1,308,618	377,369	328,927	1,357,060	254,876
Capital Lease Payable	4,500,000	0	0	4,500,000	0
<b>Total Long-Term Obligations</b>	<u>\$34,428,915</u>	<u>\$18,429,197</u>	<u>\$783,491</u>	<u>\$52,074,621</u>	<u>\$649,876</u>

*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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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 2016 accretion amount was \$74,493. The capital appreciation bonds will mature December 1, 2018 and 2019, in the amount of \$830,000.

*School Improvement Bonds* – On October 7, 2015, Northridge Local School District issued \$13,680,000 in school improvement bonds. These bonds were issued for a 34-year period with final maturity on December 1, 2049. The bonds were issued for the construction, improvements and renovations to the school facilities. The bonds have a variable interest rate from 2 to 5 percent. The bonds maturing on December 1, 2035 and thereafter are subject to a mandatory sinking fund redemption price of 100 percent of the principal amount plus accrued interest to the date of redemption. The bonds will be paid from the Debt Service fund.

Due to the magnitude of the school facilities construction project, the debt issued by the School District exceeded the overall debt margin as permitted by Ohio statute. However, the School District was declared a “special needs” school district, as defined by Section 133.06 of the Ohio Revised Code, by the Superintendent of Public Instruction. Under this special exemption, the School District’s capacity for additional debt is approximately \$4.4 million.

The School District pays obligations related to employee compensation from the fund benefitting from their service. 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. For additional information related to the net pension liability see Note 10.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2016, are as follows:

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

Fiscal Year Ending June 30	Serial Bonds		Capital Appreciation	
	Principal	Interest	Principal	Interest
2017	\$395,000	\$664,399	\$0	\$0
2018	505,000	655,399	0	0
2019	115,000	649,199	155,000	260,000
2020	120,000	646,849	125,000	290,000
2021	535,000	638,224	0	0
2022-2026	3,085,000	2,945,304	0	0
2027-2031	1,660,000	2,537,622	0	0
2032-2036	1,750,000	2,277,494	0	0
2037-2041	2,460,000	1,800,750	0	0
2042-2046	3,410,000	1,087,100	0	0
2067-2050	3,495,000	289,300	0	0
Total	<u>\$17,530,000</u>	<u>\$14,191,640</u>	<u>\$280,000</u>	<u>\$550,000</u>

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND PUBLIC ENTITY SHARED RISK POOL**

**Jointly Governed Organizations**

*Metropolitan Educational Technology Association*

On July 1, 2015 the School District was a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA). On January 1, 2016 MDECA merged with the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META’s Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District’s degree of control is limited to its representation on the Board. The School paid META \$46,546 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

*Southwestern Ohio Educational Purchasing Council*

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 153 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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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 SOEPC 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 2016, the School District paid \$906 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.

*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 SOITA 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 2016, the School District paid \$1,700 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 1205 East Fifth Street, Dayton, Ohio 45402.

*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 the Career Technology Center including budgeting, appropriating, contracting and designating management. Each school district's degree of control is limited to its representation

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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on the Board. The School District did not contribute financially to this organization during fiscal year 2016. 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.

**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.

**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, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**NOTE 16 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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.

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.

	Capital Improvements	Budget Stabilization
Set-aside Restricted Balance as of June 30, 2015	\$0	\$52,637
Current Fiscal Year Set-aside Requirement	290,460	0
Current Fiscal Year Offsets	(290,460)	0
Qualifying Disbursements	0	0
Set-aside Restricted Balance as of June 30, 2016	\$0	\$52,637
Set-aside Balances Carried Forward to Future Fiscal Years	\$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.

**NOTE 17 – SIGNIFICANT COMMITMENTS**

**Encumbrances**

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	\$494,182
School Improvement Bond Fund	363,426
Classroom Facilities - State Fund	3,670,899
Nonmajor Governmental Funds	21,816
Total	\$4,550,323

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 18 - FUND BALANCES**

Fund balance is classified as nonspendable, 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:

Fund Balances	General Fund	School Improvement Bond Fund	Classroom Facilities - State Fund	Nonmajor Governmental Funds	Total
<i><b>Nonspendable</b></i>					
Inventory	\$7,240	\$0	\$0	\$2,991	\$10,231
<i><b>Restricted for</b></i>					
Lease Payment	3,513,802	0	0	0	3,513,802
Set Asides	52,637	0	0	0	52,637
Food Service	0	0	0	752,290	752,290
District Managed Activities	0	0	0	22,285	22,285
Debt Service	0	0	0	790,292	790,292
Capital Improvements	0	4,593,791	13,008,019	81,270	17,683,080
<i>Total Restricted</i>	<u>3,566,439</u>	<u>4,593,791</u>	<u>13,008,019</u>	<u>1,646,137</u>	<u>22,814,386</u>
<i><b>Assigned to</b></i>					
Purchases on Order	390,795	0	0	0	390,795
Principal Fund	37,302	0	0	0	37,302
<i>Total Assigned</i>	<u>428,097</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>428,097</u>
<i>Unassigned (Deficit)</i>	<u>10,307,632</u>	<u>0</u>	<u>0</u>	<u>(37,955)</u>	<u>10,269,677</u>
<i>Total Fund Balances</i>	<u><u>\$14,309,408</u></u>	<u><u>\$4,593,791</u></u>	<u><u>\$13,008,019</u></u>	<u><u>\$1,611,173</u></u>	<u><u>\$33,522,391</u></u>

**NOTE 19 - CONTINGENCIES**

**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, 2016, if applicable, cannot be determined at this time.

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

**Litigation**

The School District is not currently involved in a legal proceeding as of June 30, 2016.



**Northridge Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Fiscal Years (1)*

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.09807130%	0.09657400%	0.09657400%
School District's Proportionate Share of the Net Pension Liability	\$5,596,044	\$4,887,555	\$5,742,946
School District's Covered-Employee Payroll	\$2,950,171	\$2,215,458	\$2,207,336
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.69%	220.61%	260.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each fiscal year as of the School District's measurement date which is the prior fiscal year.

**Northridge Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1)*

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07863429%	0.07688117%	0.07688117%
School District's Proportionate Share of the Net Pension Liability	\$21,732,218	\$18,700,161	\$22,275,510
School District's Covered-Employee Payroll	\$8,178,807	\$7,878,071	\$7,070,508
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	265.71%	237.37%	315.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each fiscal year as of the School District's measurement date which is the prior fiscal year.

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**Northridge Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$416,636	\$388,833	\$307,062	\$305,495
Contributions in Relation to the Contractually Required Contribution	<u>(416,636)</u>	<u>(388,833)</u>	<u>(307,062)</u>	<u>(305,495)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,975,971	\$2,950,171	\$2,215,458	\$2,207,336
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
\$339,365	\$62,356	\$538,654	\$259,800	\$246,879	\$301,023
(339,365)	(62,356)	(538,654)	(259,800)	(246,879)	(301,023)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,523,157	\$496,071	\$3,978,239	\$2,640,242	\$2,514,039	\$2,818,567
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**Northridge Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,148,797	\$1,145,033	\$1,024,149	\$919,166
Contributions in Relation to the Contractually Required Contribution	<u>(1,148,797)</u>	<u>(1,145,033)</u>	<u>(1,024,149)</u>	<u>(919,166)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$8,205,693	\$8,178,807	\$7,878,071	\$7,070,508
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$991,146	\$1,188,148	\$1,190,441	\$1,135,024	\$1,095,175	\$1,122,664
(991,146)	(1,188,148)	(1,190,441)	(1,135,024)	(1,095,175)	(1,122,664)
\$0	\$0	\$0	\$0	\$0	\$0
\$7,624,200	\$9,139,600	\$9,157,238	\$8,730,954	\$8,424,423	\$8,635,877
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying 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	N/A	\$306,619		\$306,619	
National School Lunch Program	10.555	N/A	746,220	\$61,280	\$746,220	\$61,280
Summer Food Service Program for Children	10.559	N/A	6,781		6,781	
Total Child Nutrition Cluster			<u>1,059,620</u>	<u>61,280</u>	<u>1,059,620</u>	<u>61,280</u>
Fresh Fruit and Vegetable Program	10.582	N/A	39,125		20,388	
Total U.S. Department of Agriculture			<u>1,098,745</u>	<u>61,280</u>	<u>1,080,008</u>	<u>61,280</u>
<b>U.S. Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	S010A150035	1,208,066		1,227,030	
Special Education Cluster (IDEA)						
Special Education_Grants to States	84.027	H027A150111	396,541		396,476	
<i>Passed through Miami County Educational Service Center</i>						
Special Education_Preschool Grants	84.173	N/A	5,434		5,434	
Total Special Education Cluster (IDEA)			<u>401,975</u>		<u>401,910</u>	
<i>Passed through Ohio Department of Education</i>						
Improving Teacher Quality State Grants	84.367	S367A150034	145,946		145,946	
Total U.S. Department of Education			<u>1,755,987</u>		<u>1,774,886</u>	
Total Federal Financial Assistance			<u>\$2,854,732</u>	<u>\$61,280</u>	<u>\$2,854,894</u>	<u>\$61,280</u>

The accompanying notes are an integral part of this schedule.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Northridge Local School District (the School District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**NOTE E - MATCHING REQUIREMENTS**

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School 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  
2008 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, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Montgomery County, (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 30, 2017.

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

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

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

June 30, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Northridge Local School District  
Montgomery County  
2008 Timber Lane  
Dayton, Ohio 45414

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Northridge Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Northridge Local School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

### ***Management's Responsibility***

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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

Our responsibility is to opine on the School District's compliance for the School District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 School 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 School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

### ***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies***

As described in finding 2016-001 in the accompanying schedule of findings, the School District did not comply with requirements regarding cash management applicable to its CFDA 84.010 Title I Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

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**Qualified Opinion on Title I Grants to Local Educational Agencies**

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the Northridge Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to Local Educational Agencies for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

The School 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 School 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 the Uniform Guidance, 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 School District's internal control over compliance.

*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 or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2016-001.

The School District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the School 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 the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 30, 2017

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
2 C.F.R. § 200.515  
JUNE 30, 2016**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 C.F.R. §200.520?	No

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

None

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

<b>Finding Number</b>	2016-001		
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies – CFDA #84.010		
<b>Federal Award Identification Number / Year</b>	S010A150035		
<b>Federal Agency</b>	U.S. Department of Education		
<b>Pass-Through Entity</b>	Ohio Department of Education		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	N/A

**Material Weakness and Noncompliance – Cash Management**

Under the authority of **2 C.F.R. § 3474.1** and except as otherwise provided by this section, the Department of Education adopted the Office of Management and Budget (OMB) Guidance in **2 C.F.R. part 200**. Thus, this part gives regulatory effect to the OMB guidance and supplements the guidance as needed for the Department. **2 C.F.R. § 200.305(b)** states, in part, for non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

**2 C.F.R. § 200.305(b)(1)** states the non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.

**2 C.F.R. § 200.305(b)(2)(ii)** states that non-Federal entities must be authorized to submit requests for advance payments and reimbursements at least monthly when electronic fund transfers are not used, and as often as they like when electronic transfers are used, in accordance with the provisions of the Electronic Fund Transfer Act (15 U.S.C. 1693-1693r).

Further, **Grants Management Guidance 2015-004** from the Ohio Department of Education (ODE) provides updated cash management guidelines to comply with Federal regulations. It states, in part, that previous cash management guidance outlined by ODE stated that advance funds needed to be liquidated by the end of the month designated on the project cash request. However, US Department of Education (USDOE) guidance states that ODE is required to minimize the amount of time between the drawdown and the use of funds from a sub-grantees bank account. Funds must be drawn only to meet a grantee's immediate cash needs for each individual grant.



**FINDING NUMBER 2016-001  
(Continued)**

The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity. Therefore, when requesting advance funds, non-Federal entities must now liquidate cash advances within five business days after receiving the funds. To help prevent districts from running a deficit in funds due to the five-day liquidation rule and to also comply with OMNI guidance 200.305(ii), multiple advances can now be requested in a one month period.

Advances should only be requested to cover expenses that are ready to be paid. Advances can be requested to cover payroll expenses and invoices that have been received and will be paid within five business days of receiving grant funds. Advances should not be requested for encumbrances in which services and invoices have not been received unless the entity is certain it will receive and pay the invoice within these established guidelines.

During fiscal year 2016, the School District failed to fully expend advanced funds within the required time frame (five business days) for three Title I Grants to Local Educational Agencies receipts. The School District expended \$25,075 of the \$35,905 advanced in August 2015 within five business days of receipt. The remaining \$10,830 was not expended within five business days of receipt. The School District failed to expend any of the \$8,813 and \$90,000 advanced in September and October 2015, respectively, within five business days of receipt.

The School District should implement procedures to verify all receipts of advanced federal monies are expended within the required time frame as outlined in the grant agreement. Failure to do so could result in noncompliance with Federal grant requirements as well as potential reductions in future federal funding.

**Officials' Response: See Corrective Action Plan.**

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	We plan on spending the money asked for in an advance within the 5 day period.	7-1-17	Jennifer Whitton, Treasurer



# 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  
JULY 18, 2017**