



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Northridge Local School District
Licking County

Financial Forecast
For The Fiscal Year Ending June 30, 2001

Northridge Local School District
Licking County

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Board of Education
Northridge Local School District
6097 Johnstown-Utica Road
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CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the financial forecast of the General Fund of the Northridge Local School District, Licking County, Ohio. This forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material. The forecast reflects an operating deficit for the fiscal year ending June 30, 2001, of \$28,000 which includes \$82,000 in cash reserves. The cash reserves consist of a textbooks and instructional materials reserve of \$12,000, capital improvements reserve of \$12,000, and budget reserve of \$58,000.

Section 5705.29, Revised Code, allows the school district board to appropriate monies from the budget reserve pursuant to a resolution adopted by two-thirds of the membership of the board for unanticipated deficiencies in revenue or other emergencies. Senate Bill 345, effective April 10, 2001 will eliminate the requirement for school districts to maintain a budget reserve. Any monies on hand in the school district's budget reserve at that time may, at the discretion of the board, be returned to the district's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in the code, including to offset a budget deficit.

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2002 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget and the State Superintendent of Public Instruction has authorized such notes. The School District did not include a spending reserve in their current year tax budget.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2002 scheduled property tax settlements. The potential advances have been excluded due to the District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The projected operating deficit could be reduced to the extent tax advances are received prior to June 30, 2001 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2001.

Christine L. Hansen, CPA
Chief of Local Government Services

January 22, 2001



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We have examined the accompanying forecasted schedule of revenues, expenditures and changes in fund balance of the general fund of the Northridge Local School District for the fiscal year ending June 30, 2001. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the Board of Education and the preparation and presentation of the forecast.

The accompanying forecast was prepared for the purposes of determining whether the Northridge Local School District will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code and should not be used for any other purposes.

In our opinion, the forecasted schedule referred to above is presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after its date.

The historical financial statements for the year ended June 30, 1998 (from which the historical data are derived) were audited by the Auditor of State's Office and received an unqualified opinion which was dated January 29, 1999. The financial statements for the years ended June 30, 1999 and 2000 audited by other accountants included an unqualified opinion and were dated January 19, 2000, and December 13, 2000, respectively.

JIM PETRO
Auditor of State

January 22, 2001

Northridge Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
For The Fiscal Year Ending June 30, 2001 Forecasted
General Fund

	Fiscal Year 2001 Forecasted
Revenues	
General Property Tax (Real Estate)	\$2,704,000
Tangible Personal Property Tax	58,000
Income Tax	1,388,000
Unrestricted Grants-in-Aid	3,488,000
Restricted Grants-in-Aid	62,000
Property Tax Allocation	333,000
All Other Revenues	74,000
Total Revenues	8,107,000
Other Financing Sources	
Advances In	11,000
Total Revenues and Other Financing Sources	8,118,000
Expenditures	
Personal Services	4,285,000
Employees' Retirement/Insurance Benefits	1,253,000
Purchased Services	1,456,000
Supplies and Materials	236,000
Capital Outlay	7,000
Debt Service:	
Principal - Income Tax Note	225,000
Principal - School District Solvency Assistance Fund	314,000
Principal - HB 264 Note	60,000
Interest and Fiscal Charges	38,000
Other Objects	310,000
Total Expenditures	8,184,000
Other Financing Uses	
Advances Out	11,000
Total Expenditures and Other Financing Uses	8,195,000
Excess of Revenues and Other Financing Sources under Expenditures and Other Financing Uses	(77,000)
Cash Balance July 1, 2000	206,000
Cash Balance June 30, 2001	129,000
Less:	
Estimated Encumbrances June 30, 2001	75,000
Reservations of Fund Balance	
Textbooks and Instructional Materials	12,000
Capital Maintenance	12,000
Budget Reserve	58,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30, 2001	(\$28,000)

See accompanying summary of significant forecast assumptions, accounting policies, and accountant's report.

Northridge Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
For The Fiscal Years Ended June 30, 1998, 1999 and 2000 Actual;
Fiscal Year Ending June 30, 2001 Forecasted
General Fund

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Forecasted
Revenues				
General Property Tax (Real Estate)	\$2,553,000	\$2,333,000	\$2,562,000	\$2,704,000
Tangible Personal Property Tax	35,000	47,000	49,000	58,000
Income Tax	73,000	825,000	1,398,000	1,388,000
Unrestricted Grants-in-Aid	2,990,000	3,221,000	3,280,000	3,488,000
Restricted Grants-in-Aid	19,000	55,000	67,000	62,000
Property Tax Allocation	314,000	282,000	304,000	333,000
All Other Revenues	119,000	95,000	71,000	74,000
Total Revenues	6,103,000	6,858,000	7,731,000	8,107,000
Other Financing Sources				
Proceeds from Sale of Notes	450,000	0	0	0
Proceeds from the School Solvency Assistance Fund	0	0	628,000	0
Advances In	0	0	108,000	11,000
Other Financing Sources	0	59,000	5,000	0
Total Other Financing Sources	450,000	59,000	741,000	11,000
Total Revenues and Other Financing Sources	6,553,000	6,917,000	8,472,000	8,118,000
Expenditures				
Personal Services	3,734,000	4,035,000	4,365,000	4,285,000
Employees' Retirement/Insurance Benefits	987,000	1,041,000	1,303,000	1,253,000
Purchased Services	1,362,000	1,349,000	1,592,000	1,456,000
Supplies and Materials	184,000	276,000	308,000	236,000
Capital Outlay	37,000	46,000	75,000	7,000
Debt Service:				
Principal - Income Tax Note	0	0	225,000	225,000
Principal - School District Solvency Assistance Fund	0	0	0	314,000
Principal - HB 264 Note	0	57,000	55,000	60,000
Interest and Fiscal Charges	43,000	63,000	51,000	38,000
Other Objects	153,000	193,000	285,000	310,000
Total Expenditures	6,500,000	7,060,000	8,259,000	8,184,000
Other Financing Uses				
Operating Transfers Out	0	20,000	1,000	0
Advances Out	0	0	108,000	11,000
Total Other Financing Uses	0	20,000	109,000	11,000
Total Expenditures and Other Financing Uses	6,500,000	7,080,000	8,368,000	8,195,000
Excess of Revenues and Other Financing Sources under Expenditures and Other Financing Uses	53,000	(163,000)	104,000	(77,000)
Cash Balance July 1	212,000	265,000	102,000	206,000
Cash Balance June 30	265,000	102,000	206,000	129,000
Less:				
Estimated Encumbrances June 30	26,000	18,000	37,000	75,000
Reservations of Fund Balance				
Textbooks and Instructional Materials	0	0	0	12,000
Capital Improvements Reserve	0	0	2,000	12,000
Budget Reserve	0	58,000	58,000	58,000
Unencumbered/Unreserved Fund Balance/(Deficit) June 30	\$239,000	\$26,000	\$109,000	(\$28,000)

See accompanying summary of significant forecast assumptions, accounting policies, and accountant's report.

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Note 1 - Nature and Limitations of the Forecast

This financial forecast presents, to the best of the Northridge Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 22, 2001, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

This forecast was prepared for the purpose of determining whether the Northridge Local School District (the School District) will incur an operating deficit for the fiscal year under Section 3316.08 of the Ohio Revised Code and should not be used for any other purpose.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the textbook subsidy and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1998, 1999, and 2000. These differences are as follows:

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$6,491,000	\$6,771,000	\$8,133,000
Textbook Subsidy	19,000	19,000	0
Debt Service Activity Related to General Fund Supported Debt	43,000	127,000	339,000
Total Revenues and Other Sources per Forecast	6,553,000	6,917,000	8,472,000
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	6,441,000	6,940,000	8,036,000
Textbook Subsidy	16,000	21,000	1,000
Debt Service Activity Related to General Fund Supported Debt	43,000	119,000	331,000
Total Expenditures and Other Uses per Forecast	6,500,000	7,080,000	8,368,000

Continued

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	\$53,000	(\$163,000)	\$104,000
Cash Fund Balance at Beginning of Fiscal Year	212,000	265,000	102,000
Cash Fund Balance at End of Fiscal Year	265,000	102,000	206,000
Encumbrances at Fiscal Year End	(26,000)	(18,000)	(37,000)
Unencumbered Fund Balance at Fiscal Year End	\$239,000	\$84,000	\$169,000

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

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 disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or those for major capital projects) that are legally restricted to disbursements for specified purposes.

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund

Enterprise Fund - The enterprise fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds

Agency Funds - Agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Licking County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 4 - General Operating Assumptions

The Northridge Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, and tangible personal property taxes. Advances may be requested from the Licking, Delaware, and Knox County Auditors as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in the next fiscal year.

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Full Tax Rate (Mills)</u>
Inside Millage	N/A	\$4.10
Continuing Operating	1976	18.60
Continuing Operating	1978	5.30
Continuing Operating	1989	4.60
Total Tax Rate		<u>\$32.60</u>

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedules represents gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Licking, Delaware, and Knox County Auditors. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account. Based upon these estimates, the School District anticipates receiving \$2,704,000 in real estate tax revenue, which is an increase over the prior year of \$142,000. The increase is due to a reappraisal in Licking County.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business (except for public utilities). The tangible personal property tax revenues are affected by businesses starting and closing, as well as the timing of the receipt of the June property tax settlement. As with general property taxes, tangible personal property tax revenues are based upon information provided by the Licking, Delaware, and Knox County Auditors. Based upon these estimates, the School District anticipates receiving \$58,000 in tangible personal property tax revenue, which is an increase of \$9,000 from fiscal year 2000. This increase is due to including 90 percent of the June property tax settlement in the forecast. This settlement is usually not received until July of the following fiscal year. The School District has the ability to request an advance on the June settlement.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed and the governor approved legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

B. - Income Tax

The School District receives income taxes from a one percent income tax levy. The levy passed in November 1997 is for a three-year period beginning January 1, 1998 and ending on December 31, 2000. The School District renewed the income tax levy in March 2000 for a five-year period beginning January 1, 2001 and ending on December 31, 2005. The amount forecasted for fiscal year 2001 is based upon information from the Ohio Department of Taxation and comparisons of the current and prior year collections.

C. - Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, and vocational education.

In 1998, State law set the base cost per pupil at \$4,063 for fiscal year 1999 and increased the rate each year thereafter, based on annual rate of inflation of two and eight-tenths percent, to \$4,177 for fiscal year 2000, and \$4,294 for fiscal year 2001.

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

The anticipated revenue for fiscal year 2001 is based on current estimates provided by the Ohio Department of Education. The anticipated increase of \$208,000 is caused by increases in the per pupil funding and ADM changes from the prior fiscal year and an increase in open enrollment revenues.

D. - Restricted Grants-in-Aid

Restricted grants-in-aid consists of bus purchase allowance revenues in the amount of \$62,000, which reflect a \$5,000 decrease from fiscal year 2000.

E. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

Property tax allocation revenue, based on estimates provided by the Licking, Delaware, and Knox County Auditors, is anticipated to increase \$29,000 from the prior fiscal year.

F. - All Other Revenues

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Interest on Investments	\$17,000	\$19,000	\$2,000
Classroom Materials and Fees	28,000	26,000	(2,000)
Tuition	3,000	3,000	0
Driver's Education	0	5,000	5,000
Vocational Mileage Reimbursements	2,000	2,000	0
Sale of Fixed Assets	4,000	0	(4,000)
Miscellaneous	17,000	19,000	2,000
Totals	\$71,000	\$74,000	\$3,000

Driver's Education increased from fiscal year 2000 due to the School District not receiving their final fiscal year 1999 payment until fiscal year 2001. This is the last payment the School District will be receiving under this program.

In fiscal year 2000, the School District sold obsolete equipment for \$4,000 which will not recur in fiscal year 2001.

G. - Proceeds from Sale of Notes

In fiscal year 2000, the School District received an advance from the School District Solvency Assistance Fund in the amount of \$628,000. In fiscal year 1998, the School District issued notes in the amount of \$450,000 in anticipation of income tax revenues.

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

H. - Operating Advances In

Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive \$11,000 in advances in fiscal year 2001 from the athletic and the classroom reduction special revenue funds. In fiscal year 2000, the School District advanced money to the bond retirement debt service fund and the athletic special revenue fund. The advance to the bond retirement debt service fund in fiscal year 2000 was made to meet current debt requirements and is not anticipated for fiscal year 2001.

I. - Other Financing Sources

The School District is not anticipating any other financing sources revenue for fiscal year 2001.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, severance pay, and board members' compensation. All employees receive their compensation on a bi-weekly basis.

Certified (teacher) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period of July 1, 1998, to June 30, 2001, and allows for base salary increases of four percent in fiscal years 1999 and 2000 and a three percent base salary increase in fiscal year 2001. Classified staff salaries are also based on a negotiated contract which includes base and step increases. The contract also covers the period from July 1, 1998, to June 30, 2001, and allows for base salary increases of four percent in fiscal years 1999 and 2000 and a three percent base salary increase in fiscal year 2001. In addition to base salary increases, certified and classified staff, depending upon years of service, may receive step increases of approximately four percent. Administrative salaries are set annually by the Board of Education.

The School District offers severance pay to its employees of up to one-fourth of the accumulated sick leave and any unused personal leave upon retirement to be paid at the employee's current per diem rate.

Presented below is a comparison of salaries and wages for the fiscal year 2000 and the forecast period.

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Certified Salaries	\$3,538,000	\$3,501,000	(\$37,000)
Classified Salaries	587,000	568,000	(19,000)
Substitute Salaries	55,000	55,000	0
Supplemental Contracts	114,000	114,000	0
Severance Pay	66,000	42,000	(24,000)
Other Salaries and Wages	5,000	5,000	0
	<u>\$4,365,000</u>	<u>\$4,285,000</u>	<u>(\$80,000)</u>

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

The significant decreases in personal services are based on the following:

A decrease in certified and classified salaries because the School District eliminated six positions;
and,

A decrease in severance pay because of a decrease in the number of anticipated retirements.

B. - Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, an early retirement incentive, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the terms of the existing health insurance contracts, the anticipated number of employees participating in the program and single versus family coverage, and the monthly premiums. Premiums are fixed for a one year period beginning August 1 of each year. In fiscal year 2001, health care premiums increased 20 percent over the prior year. Health care premiums are generally paid in advance of the period covered; however, the premium due in June 2000 was delayed until the next fiscal year.

The School District offers an early retirement incentive program to all employees. Under the program up to two years of service credit can be purchased in the first year of retirement eligibility. Annually, a maximum of five percent of eligible employees will be approved. The cost of the program payable to STRS is paid over a two year period; however, the costs relating to SERS are paid in full in the year of retirement. At June 30, 2001, a balance of \$14,223 will remain outstanding for STRS early retirement incentives. In addition, the School District anticipates a SERS early retirement incentive balance for the treasurer who will retire during fiscal year 2001. The SERS early retirement incentive is not included in the forecasted amounts.

Medicare benefits are based on the employers' rate of 1.45 percent and the payroll costs for contributing staff.

Workers' compensation premiums are based on the School District's rate and the anticipated salaries for the fiscal year. The entire worker's compensation bill is anticipated to be paid by May 2001.

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Presented below is a comparison of fiscal year 2000 and the forecast period:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Employer's Retirement	\$725,000	\$719,000	(\$6,000)
Early Retirement Incentive	228,000	68,000	(160,000)
Health Care Insurance	292,000	393,000	101,000
Workers' Compensation	6,000	24,000	18,000
Medicare	36,000	33,000	(3,000)
Tuition Reimbursements	16,000	15,000	(1,000)
Unemployment	0	1,000	1,000
	<u>\$1,303,000</u>	<u>\$1,253,000</u>	<u>\$50,000</u>

The significant changes in employees' retirement and insurance benefits are based on the following:

A decrease in early retirement incentive due to a decrease in the number of employees participating in the program;

An increase in health care premiums because of rate increases and 13 monthly premium payments; and,

An increase in worker's compensation because the 75 percent reduction in the premiums paid in fiscal year 2000.

C. - Purchased Services

Purchased service expenditures forecasted in the amount of \$1,456,000 are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Professional and Technical Services	\$145,000	\$121,000	(\$24,000)
Property Services	1,156,000	1,029,000	(127,000)
Travel and Meeting Expenses	10,000	11,000	1,000
Communication Costs	50,000	49,000	(1,000)
Utility Services	216,000	224,000	8,000
Contracted Craft or Trade Services	9,000	2,000	(7,000)
Tuition Payments	3,000	15,000	12,000
Pupil Transportation Costs	3,000	5,000	2,000
	<u>\$1,592,000</u>	<u>\$1,456,000</u>	<u>(\$136,000)</u>

The significant changes in purchased services include a decrease in professional and technical services because of a decrease in the number of handicapped students and legal services relating to the negotiated agreements with employees, a decrease in property services due to the School District now sharing their special education transportation costs with Johnstown/Monroe Local School District, and a reduction in field trips.

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

D. - Supplies and Materials

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$130,000	\$84,000	(\$46,000)
Textbooks	46,000	11,000	(35,000)
Operations, Maintenance, and Repair	130,000	139,000	9,000
Other Supplies and Materials	2,000	2,000	0
	<u>\$308,000</u>	<u>\$236,000</u>	<u>(\$72,000)</u>

The significant changes in purchased services are based on the following:

A decrease in general supplies due to the School District implementing a cost savings plan for the purchase of instructional materials for the forecast period;

A decrease in textbooks because the School District purchased a series of textbooks in the prior year; and,

An increase in operations, maintenance, and repair due to an increase in gas prices.

E. - Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general government services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$7,000. The decrease of \$68,000 is due to the School District paying for maintenance on their buses in the prior year out of this code. The School District also anticipates a decrease for fiscal year 2001 due to capital related expenditures financed with the half mill classroom facilities maintenance levy. Bus maintenance costs are forecasted for fiscal year 2001 as part of purchased services.

F. - Debt Service

General fund supported debt consists of an income tax anticipation note, a school district solvency assistance fund advance, and an energy conservation loan.

The income tax anticipation note was issued in fiscal year 1998 in anticipation of the income tax revenues from a one percent income tax levy passed in November 1997. The notes bear interest of 4.5 percent and will be fully retired on December 1, 2000.

The school district solvency assistance advance is against state foundation monies. The advance will be repaid over a two year period with final payment during fiscal year 2002.

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

The HB 264 note, issued in fiscal year 1997, bears interest of 5.05 to 5.75 percent, and was used to finance energy conservation measurers. The notes were issued for a ten year period with final maturity during fiscal year 2008.

The forecasted changes in the general fund obligations are as follows:

	Balance 06/30/2000	Issued	Retired	Balance 06/30/2001
Income Tax Note	\$225,000	\$0	\$225,000	\$0
School Solvency Assistance	628,000	0	314,000	314,000
HB 264 Note	635,000	0	60,000	575,000
	\$1,488,000	\$0	\$599,000	\$889,000

G. - Other Objects

Other objects include dues, fees, liability insurance, and county educational service center costs. The School District is anticipating \$310,000 in expenditures in this area in fiscal year 2001. The large increase from fiscal year 1999 to 2000 is due to a full year of income tax administrative fees and an increase in county educational service center costs. For fiscal year 2001, the increase of \$25,000 is due to the rising costs of the educational service center and an increase in county auditor fees.

H. - Operating Transfers and Advances Out

The School District expects to advance \$11,000 to the athletic fund and to the classroom reduction fund. No operating transfers are anticipated during fiscal year 2001.

I. - Spending Reserve

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2001 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget. The School District did not include a spending reserve in their current year tax budget.

Note 7 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain legal compliance. The Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

Historically, the School District has very limited encumbrances at the end of a fiscal year. The amount forecasted for fiscal year 2001 represents the State Teacher's Retirement System advance in the amount of \$49,000, \$12,000 in purchased services, and \$14,000 in supplies and materials.

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Note 8 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in the future years. The School District is also required to set aside money for budget stabilization.

A. - Textbooks and Instructional Materials

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The set aside amount for fiscal year 2001 is \$191,000 less expenditures in excess of the set aside requirement of \$47,000 from fiscal year 2000. Qualifying expenditures in the amount of \$132,000 are anticipated which results in a \$12,000 balance for fiscal year 2001. The \$12,000 textbook and instructional materials set aside balance will be carried forward to the next fiscal year.

B. - Capital Acquisition and Improvements

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The set aside amount for fiscal year 2001 is \$191,000. Qualifying expenditures in the amount of \$111,000 and \$70,000 in off-sets are anticipated; therefore, the reserve balance will be \$12,000 at fiscal year end 2001.

C. - Budget Reserve

The School District is required to establish a budget reserve and set aside one percent of certain revenues each year there is a growth of three percent or more in these revenues. Each year the School District meets the criteria the required balance in the budget reserve increases by one percent until the five percent limit is reached. Under Section 39 of House Bill 770 and 5705.29(I), Revised Code, school districts are required to credit any refund from the Bureau of Worker's Compensation to the budget reserve. Workers' compensation refunds may reduce the contribution required in the current and/or future periods.

Since the School District is in fiscal emergency, no set aside of current year revenue is required. However, the School District does have a carryover reserve of \$58,000 generated from workers' compensation refunds.

Section 5705.29(H)(1), Revised Code, allows the School District to appropriate monies from the budget reserve to reduce the deficit.

Note 9 - Levies

The School District does not plan to place any levies on the ballot during fiscal year 2001. In the past ten years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
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<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1990	Bond Issue	5.9 mills	23 Years	Failed
November 1991	Income Tax	.75 Percent	Continuing	Failed
November 1992	Emergency Levy	7.7 mills	2 Years	Passed
May 1994	Emergency Levy	7.7 mills	3 Years	Passed
May 1995	Bond Issue	8.1 mills	23 Years	Passed
November 1996	Income Tax	1.0 Percent	Continuing	Failed
November 1997	Income Tax	1.0 Percent	3 Years	Passed
November 1999	Income Tax Renewal	1.0 Percent	5 Years	Failed
March 2000	Income Tax Renewal	1.0 Percent	5 Years	Passed

Note 10 - Pending Litigation

The School District is not aware of any pending litigation that will have an impact on the financial forecast.

Note 11 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$3,167,032 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$6,000,000 under this program.

Northridge Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
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Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the [Ohio] Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of the financial forecast, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operation.



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NORTHRIDGE LOCAL SCHOOL DISTRICT

LICKING 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
FEBRUARY 22, 2001**