

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

Single Audit

For the Fiscal Year Ended June 30, 2010





# Dave Yost • Auditor of State

Board of Education  
Northridge Local School District  
6066 Johnston-Utica Road  
Johnstown, Ohio 43031

We have reviewed the *Independent Accountants' Report* of the Northridge Local School District, Licking County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 2, 2011

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**NORTHRIDGE LOCAL SCHOOL DISTRICT.  
LICKING COUNTY**

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**JUNE 30, 2010**

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## INDEPENDENT ACCOUNTANTS' REPORT

Northridge Local School District  
Licking County  
6066 Johnston-Utica Road  
Johnston, Ohio 43031

To the Board of Education:

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, Licking County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northridge Local School District, Licking County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to form an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
December 10, 2010

**Northridge Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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The discussion and analysis of the 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, 2010. 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 the fiscal year 2010 are as follows:

- Net assets of governmental activities increased \$3,268,221.
- General revenues accounted for \$13,964,022 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$2,158,305, 13 percent of total revenues of \$16,122,327.
- Total assets of governmental activities increased \$4,338,171. The majority of this increase was due to an increase in property taxes receivable in the amount of \$2,120,106, an increase in cash and cash equivalents in the amount of \$1,813,554, an increase in income taxes receivable in the amount of \$450,819, and an increase in the amount of \$91,369 in intergovernmental receivable. These increases were offset by a decrease in depreciable capital assets, net, in the amount of \$119,433.
- The School District had \$12,854,106 in expenses related to governmental activities; only \$2,158,305 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues in the amount of \$13,964,022 were adequate to provide for these programs.
- The School District has two major funds; the general fund and the debt service fund. The general fund had \$13,645,451 in revenues, \$11,035,322 in expenditures, and \$50,000 in other financing uses. The general fund's balance increased \$2,560,129. The debt service fund had \$822,544 in revenues and \$786,199 in expenditures. The debt service fund's balance increased \$36,345.

### **Using this Annual Financial Report**

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

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

**Northridge Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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***Reporting the School District as a Whole***

**Statement of Net Assets and Statement of Activities**

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, 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 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

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

**Northridge Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

**Table 1 - Net Assets**

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2010</u>	<u>2009</u>	
<b>Assets</b>			
Current and Other Assets	\$11,978,763	\$7,521,159	\$4,457,604
Capital Assets	12,188,016	12,307,449	(119,433)
<b>Total Assets</b>	<u>24,166,779</u>	<u>19,828,608</u>	<u>4,338,171</u>
<b>Liabilities</b>			
Long-Term Liabilities	6,932,473	7,578,802	(646,329)
Other Liabilities	7,425,867	5,709,588	1,716,279
<b>Total Liabilities</b>	<u>14,358,340</u>	<u>13,288,390</u>	<u>1,069,950</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	6,259,638	5,863,651	395,987
Restricted	946,825	827,739	119,086
Unrestricted (Deficit)	2,601,976	(151,172)	2,753,148
<b>Total Net Assets</b>	<u>\$9,808,439</u>	<u>\$6,540,218</u>	<u>\$3,268,221</u>

Total assets increased \$4,338,171. The majority of this increase was due to an increase in property taxes receivable in the amount of \$2,120,106, an increase in cash and cash equivalents in the amount of \$1,813,554, an increase in income taxes receivable in the amount of \$450,819, and an increase of \$91,369 in intergovernmental receivable. These increases were offset by a decrease in depreciable capital assets, net, in the amount of \$119,433. The increase in property taxes receivable is due to the certification by the County Auditors for the first full year of collection of the 9.9 mill Emergency Operating Levy that was passed by the voters of the School District in the May 2009 election. The levy is expected to generate \$2.1 million annually over the next five years. The increase in cash and cash equivalents was primarily due to the School District monitoring the cash flow more closely as a result of being placed in fiscal caution by the Ohio Department of Education during fiscal year 2009 and also due to the increases in both the real estate and income tax revenues. The increase in income taxes receivable is a direct result of the School District receiving a one-time settlement related to a sale of a business. The increase in intergovernmental receivable is due to a greater amount of grants not being received before fiscal year end 2010 as compared to fiscal year 2009. The decrease in capital assets was due mainly to depreciation, which was offset by additions.

Total liabilities increased \$1,069,950. Long-term liabilities decreased \$646,329 primarily due to the payment of \$425,000 on the Classroom Facilities Refunding General Improvement Serial Bond, \$60,000 on the School Energy Conservation Improvement General Obligation Bond, and principal payments in the amount of \$31,004 for the HVAC computer equipment and copiers capital leases. Intergovernmental payables increased \$72,529 due mainly to a fiscal year 2010 State Foundation adjustment made in fiscal year 2011. Deferred revenue increased \$1,616,432 due to the increase in receivable amounts as a result of the increase in assessed values that were certified by the County Auditor for property taxes and due to the new emergency operating levy being collected for a full year in fiscal year 2011.

**Northridge Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010 and comparisons to fiscal year 2009.

**Table 2 - Changes in Net Assets**

	Governmental Activities		
	2010	2009	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$1,110,432	\$1,137,694	(\$27,262)
Operating Grants and Contributions	1,047,873	1,014,727	33,146
Capital Grants and Contributions	0	19,346	(19,346)
	<u>2,158,305</u>	<u>2,171,767</u>	<u>(13,462)</u>
General Revenue:			
Property Taxes	6,301,669	4,761,729	1,539,940
Income Taxes	2,306,897	1,954,133	352,764
Grants and Entitlements	5,337,395	4,942,295	395,100
Investment Earnings	10,346	38,287	(27,941)
Miscellaneous	7,715	10,388	(2,673)
	<u>13,964,022</u>	<u>11,706,832</u>	<u>2,257,190</u>
Total Revenues	<u>16,122,327</u>	<u>13,878,599</u>	<u>2,243,728</u>
<b>Program Expenses</b>			
Instruction			
Regular	5,484,269	5,500,840	(16,571)
Special	1,058,759	1,050,698	8,061
Vocational	164,903	162,842	2,061
Student Intervention Services	130,315	106,521	23,794
Support Services			
Pupil	583,203	702,324	(119,121)
Instructional Staff	471,237	387,095	84,142
Board of Education	49,700	70,794	(21,094)
Administration	995,554	978,932	16,622
Fiscal	404,385	377,609	26,776
Operation and Maintenance of Plant	961,329	980,916	(19,587)
Pupil Transportation	1,438,397	1,527,286	(88,889)
Central	131,257	134,430	(3,173)
Operation of Non-Instructional Services:			
Food Service Operations	411,870	447,858	(35,988)
Community Services	4,022	6,562	(2,540)
Extracurricular Activities	270,780	301,060	(30,280)
Interest and Fiscal Charges	294,126	341,770	(47,644)
Total Program Expenses	<u>12,854,106</u>	<u>13,077,537</u>	<u>(223,431)</u>
Special Items	<u>0</u>	<u>(1,915,976)</u>	<u>1,915,976</u>
<i>Change in Net Assets</i>	3,268,221	(1,114,914)	4,383,135
Net Assets Beginning of Year	6,540,218	7,655,132	(1,114,914)
Net Assets End of Year	<u>\$9,808,439</u>	<u>\$6,540,218</u>	<u>\$3,268,221</u>

**Northridge Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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Net assets increased by \$3,268,221 in fiscal year 2010. Revenues reflect an increase of \$2,243,728 due in part to an increase in property taxes in the amount of \$1,539,940 due to the passage of the 9.9 mill Emergency Operating Levy in May 2009. In addition, income taxes increased in the amount of \$352,764 and grants and entitlements increased in the amount of \$395,100. These increases were offset by a decrease in charges for services in the amount of \$27,262, a decrease in capital grants and contributions in the amount of \$19,346 and a decrease in investment earning in the amount of \$27,941. Program expenses decreased \$223,431 due mainly to a \$124,324 decrease in total support services, a decrease of \$38,528 in total non-instructional services, both of which were offset by an increase in the amount of \$17,345 in total instruction.

Instruction comprises approximately 53 percent of governmental program expenses and support services make up approximately 39 percent of the program expenses of the School District.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 39 percent of revenues for governmental activities for the School District in fiscal year 2010.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

**Table 3 - Governmental Activities**

	2010 Total Cost of Services	2010 Net Cost of Services	2009 Total Cost of Services	2009 Net Cost of Services
Instruction:				
Regular	\$5,484,269	\$4,882,917	\$5,500,840	\$4,888,482
Special	1,058,759	586,984	1,050,698	430,020
Vocational	164,903	135,579	162,842	133,736
Student Intervention Services	130,315	130,315	106,521	106,521
				(continued)

**Northridge Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**Table 3 - Governmental Activities**

	2010 Total Cost of Services	2010 Net Cost of Services	2009 Total Cost of Services	2009 Net Cost of Services
<b>Program Expenses (continued)</b>				
Support Services:				
Pupil	583,203	494,893	702,324	625,863
Instructional Staff	471,237	274,436	387,095	347,679
Board of Education	49,700	49,700	70,794	70,794
Administration	995,554	917,622	978,932	964,458
Fiscal	404,385	314,547	377,609	284,669
Operation and Maintenance of Plant	961,329	896,062	980,916	956,933
Pupil Transportation	1,438,397	1,438,397	1,527,286	1,507,940
Central	131,257	117,112	134,430	113,996
Operation of Non-Instructional Services:				
Food Service Operations	411,870	9,837	447,858	35,673
Community Services	4,022	(2,484)	6,562	567
Extracurricular Activities	270,780	155,758	301,060	96,669
Interest and Fiscal Charges	294,126	294,126	341,770	341,770
<b>Totals</b>	<b>\$12,854,106</b>	<b>\$10,695,801</b>	<b>\$13,077,537</b>	<b>\$10,905,770</b>

Table 3 clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2010, only 17 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants and contributions. The remaining 83 percent is provided through taxes and entitlements.

***The School District's Major Funds***

The School District's major funds (the general fund and the debt service fund) are accounted for using the modified accrual basis of accounting.

***General Fund***

The general fund had total revenues of \$13,645,451, expenditures of \$11,035,322, and other financing uses in the amount of \$50,000 which resulted in an increase in fund balance of \$2,560,129. In May, 2009 the School District voters approved a 5 year emergency levy that is projected to produce \$2.1 million per year. During fiscal year 2010, the School District recognized a half-year of emergency levy revenues. In addition, the School District is closely monitoring the general fund cash basis balance, as well as the individual cash basis balances. The Superintendent and Treasurer have continued to follow the budget reductions outlined in the Corrective Action Plan that was submitted to the Ohio Department of Education after the School District was placed in Fiscal Caution. These budget reductions include the following: reduced staff, beginning all building classes at the same time to run single bus routes; the implementation of the termination benefit plan; curtailment of professional development expenditures; elimination of summer school transportation; and an increase in the cost charged to students participating in extracurricular activities (Pay-to-play).

**Northridge Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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***Debt Service Fund***

The fund balance of the Debt Service Fund at June 30, 2010 is \$596,610, an increase of \$36,345 from the prior year primarily due to the increased amounts received from real estate taxes.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2010, the School District amended its General Fund budget. The School District closely monitors its resources and uses and if necessary, modifies appropriations on a timely basis.

The General Fund had original revenue budget estimates of \$11,850,022. The original budget estimates were increased to a final budget amount of \$12,830,503 for the fiscal year. Actual revenues were \$5,152 below final budgeted estimates.

Original appropriations plus prior year encumbrances were \$11,631,873. The appropriations were decreased to the final budget of \$11,190,454. Actual expenditures were under appropriations by \$118,180 due to the School District monitoring their spending during fiscal year 2010.

The School District's ending unobligated fund balance was \$2,215,336 which improved from the beginning balance of \$549,885.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2010, the School District had \$12,188,016 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared to 2009.

**Table 4 - Capital Assets at June 30, 2010  
 (Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$224,090	\$224,090
Land Improvements	593,273	428,803
Buildings and Improvements	9,811,856	9,953,703
Furniture and Equipment	1,551,778	1,691,608
Vehicles	7,019	9,245
<b>Totals</b>	<b><u><u>\$12,188,016</u></u></b>	<b><u><u>\$12,307,449</u></u></b>

See Note 10 for more detailed information of the School District's capital assets.

**Northridge Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

***Debt***

At June 30, 2010, the School District had \$6,028,360 in classroom facility improvement refunding bonds, school energy conservation improvement bonds, and capital leases outstanding.

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

	Governmental Activities 2010	Governmental Activities 2009
Classroom Facility Improvement Refunding Bonds	\$5,080,000	\$5,505,000
Bond Premium	229,766	256,797
Deferred Amount on Refunding	(148,946)	(166,469)
School Energy Conservation Improvement Bonds	770,000	830,000
Bond Premium	12,850	14,203
Capital Leases	84,690	115,694
<b>Totals</b>	<b>\$6,028,360</b>	<b>\$6,555,225</b>

See Note 15 for more detailed information of the School District's debt.

***Economic Factors***

During fiscal year 2010, the School District's net assets increased by \$3,268,221. This was due mainly to the School District receiving its first half-year of tax revenues from the passage of the 9.9 mill Emergency Operating Levy. The School District will continue to be conservative in the area of expenses in the future. The School District completed and implemented a Corrective Action Plan which was approved by the Ohio Department of Education due to the School District being declared in fiscal caution during fiscal year 2009. The School District continues to utilize a Board Finance Committee created during fiscal year 2009. This Committee's job is to monitor the School District's financial stability and to meet once a month and report to the Board of Education any finance related recommendations. The Board of Education and administration of the School District must continue to maintain careful financial planning and prudent fiscal management in order to preserve the opportunities our students have come accustomed to. In addition, the School District placed an income tax renewal on the November 2, 2010 ballot for the final time before it is set to expire. The levy was not approved by the voters and will result in a loss of approximately \$2 million in income tax revenues beginning in the calendar year 2011.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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 any questions about this report or need additional financial information contact James Hudson, Treasurer at Northridge Local School District, 6097 Johnstown-Utica Road, Johnstown, Ohio 43031. You may also E-mail the treasurer at [jhudson@laca.org](mailto:jhudson@laca.org).

**Northridge Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2010*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$3,326,635
Cash and Cash Equivalents in Segregated Accounts	2,500
Materials and Supplies Inventory	15,537
Inventory Held for Resale	7,065
Intergovernmental Receivable	197,920
Accrued Interest Receivable	1,271
Income Taxes Receivable	1,250,220
Prepaid Items	17,971
Accounts Receivable	10,901
Property Taxes Receivable	7,061,611
Deferred Charges	87,132
Nondepreciable Capital Assets	224,090
Depreciable Capital Assets, Net	<u>11,963,926</u>
<i>Total Assets</i>	<u>24,166,779</u>
<b>Liabilities</b>	
Accounts Payable	54,441
Accrued Wages and Benefits Payable	837,207
Matured Compensated Absences Payable	45,888
Accrued Interest Payable	22,233
Intergovernmental Payable	377,418
Deferred Revenue	6,088,680
Long-Term Liabilities:	
Due Within One Year	732,179
Due In More Than One Year	<u>6,200,294</u>
<i>Total Liabilities</i>	<u>14,358,340</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	6,259,638
Restricted for:	
Debt Service	590,034
School Store	13,752
Classroom Facilities Maintenance	262,507
District Managed Activities	50,011
Title I	19,073
Title VI-B	1,764
Other Purposes	9,684
Unrestricted	<u>2,601,976</u>
<i>Total Net Assets</i>	<u><u>\$9,808,439</u></u>

See accompanying notes to the basic financial statements

**Northridge Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$5,484,269	\$599,907	\$1,445	(\$4,882,917)
Special	1,058,759	0	471,775	(586,984)
Vocational	164,903	0	29,324	(135,579)
Student Intervention Services	130,315	0	0	(130,315)
Support Services:				
Pupil	583,203	0	88,310	(494,893)
Instructional Staff	471,237	0	196,801	(274,436)
Board of Education	49,700	0	0	(49,700)
Administration	995,554	50,940	26,992	(917,622)
Fiscal	404,385	0	89,838	(314,547)
Operation and Maintenance of Plant				
Pupil Transportation	961,329	54,972	10,295	(896,062)
Central	1,438,397	0	0	(1,438,397)
131,257		0	14,145	(117,112)
Operation of Non-Instructional Services:				
Food Service Operations	411,870	283,085	118,948	(9,837)
Community Services	4,022	6,506	0	2,484
Extracurricular Activities	270,780	115,022	0	(155,758)
Interest and Fiscal Charges	294,126	0	0	(294,126)
<b>Totals</b>	<b>\$12,854,106</b>	<b>\$1,110,432</b>	<b>\$1,047,873</b>	<b>(\$10,695,801)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
				5,487,287
				733,324
				81,058
				2,306,897
				5,337,395
				10,346
				7,715
				<b>13,964,022</b>
				<b>3,268,221</b>
				<b>6,540,218</b>
				<b>\$9,808,439</b>

See accompanying notes to the basic financial statements

**Northridge Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2010*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$2,278,405	\$526,749	\$521,481	\$3,326,635
Cash and Cash Equivalents in Segregated Accounts	0	0	2,500	2,500
Materials and Supplies Inventory	6,237	0	828	7,065
Inventory Held for Resale	0	0	15,537	15,537
Intergovernmental Receivable	18,499	0	179,421	197,920
Accrued Interest Receivable	1,271	0	0	1,271
Income Taxes Receivable	1,250,220	0	0	1,250,220
Prepaid Items	17,971	0	0	17,971
Accounts Receivable	10,474	0	427	10,901
Interfund Receivable	71,303	0	0	71,303
Property Taxes Receivable	6,243,976	735,750	81,885	7,061,611
<b>Total Assets</b>	<b>\$9,898,356</b>	<b>\$1,262,499</b>	<b>\$802,079</b>	<b>\$11,962,934</b>
<b>Liabilities</b>				
Accounts Payable	\$44,630	\$0	\$9,811	\$54,441
Accrued Wages and Benefits Payable	760,532	0	76,675	837,207
Matured Compensated Absences Payable	30,888	0	15,000	45,888
Interfund Payable	0	0	71,303	71,303
Intergovernmental Payable	328,605	18	48,795	377,418
Deferred Revenue	5,764,262	665,871	100,320	6,530,453
<b>Total Liabilities</b>	<b>6,928,917</b>	<b>665,889</b>	<b>321,904</b>	<b>7,916,710</b>
<b>Fund Balances</b>				
Reserved for Encumbrances	56,570	0	1,546	58,116
Reserved for Property Taxes	595,639	69,875	8,010	673,524
Unreserved:				
Undesignated, Reported in:				
General Fund	2,317,230	0	0	2,317,230
Special Revenue Funds	0	0	470,619	470,619
Debt Service Fund	0	526,735	0	526,735
<b>Total Fund Balances</b>	<b>2,969,439</b>	<b>596,610</b>	<b>480,175</b>	<b>4,046,224</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$9,898,356</b>	<b>\$1,262,499</b>	<b>\$802,079</b>	<b>\$11,962,934</b>

See accompanying notes to the basic financial statements

**Northridge Local School District, Ohio**  
*Reconciliation of the Governmental Funds Balance Sheet to  
the Statement of Net Assets  
June 30, 2010*

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<b>Total Governmental Fund Balances</b>	<b>\$4,046,224</b>
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*Amounts reported for governmental activities in the statement of net assets are different because of the following:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,188,016
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Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:	
Property Taxes Receivable	299,354
Income Taxes Receivable	107,437
Intergovernmental Receivable	26,446
Student Fees	8,536
	441,773

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds.	87,132
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
Bonds Payable	(5,850,000)
Bond Premium	(242,616)
Deferred Amount on Refunding	148,946
Accrued Interest Payable	(22,233)
Capital Leases Payable	(84,690)
Compensated Absences	(679,682)
Retirement Incentive Payable	(224,431)
	(6,954,706)

Net Assets of Governmental Activities	<b><u>\$9,808,439</u></b>
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See accompanying notes to the basic financial statements

**Northridge Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$5,422,592	\$734,815	\$81,317	\$6,238,724
Income Taxes	2,329,395	0	0	2,329,395
Intergovernmental	5,177,257	87,729	1,192,352	6,457,338
Investment Earnings	10,346	0	572	10,918
Tuition and Fees	605,782	0	0	605,782
Extracurricular Activities	34,864	0	137,641	172,505
Rentals	54,972	0	0	54,972
Charges for Services	0	0	283,085	283,085
Contributions and Donations	945	0	0	945
Miscellaneous	9,298	0	0	9,298
<b>Total Revenues</b>	<b>13,645,451</b>	<b>822,544</b>	<b>1,694,967</b>	<b>16,162,962</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,381,026	0	11,953	5,392,979
Special	732,009	0	344,124	1,076,133
Vocational	150,075	0	0	150,075
Student Intervention Services	130,315	0	0	130,315
Support Services:				
Pupils	487,140	0	88,480	575,620
Instructional Staff	250,146	0	193,899	444,045
Board of Education	49,700	0	0	49,700
Administration	720,198	0	257,937	978,135
Fiscal	385,683	9,698	1,245	396,626
Operation and Maintenance of Plant	840,089	0	112,393	952,482
Pupil Transportation	1,437,502	0	0	1,437,502
Central	69,614	0	61,643	131,257
Operation of Non-Instructional Services:				
Food Service Operations	0	0	379,160	379,160
Community Services	0	0	4,022	4,022
Extracurricular Activities	156,903	0	85,936	242,839
Capital Outlay	208,796	0	10,325	219,121
Debt Service:				
Principal Retirement	31,004	485,000	0	516,004
Interest and Fiscal Charges	5,122	291,501	0	296,623
<b>Total Expenditures</b>	<b>11,035,322</b>	<b>786,199</b>	<b>1,551,117</b>	<b>13,372,638</b>
<b>Excess of Revenues Over Expenditures</b>	<b>2,610,129</b>	<b>36,345</b>	<b>143,850</b>	<b>2,790,324</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	50,000	50,000
Transfers Out	(50,000)	0	0	(50,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(50,000)</b>	<b>0</b>	<b>50,000</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>2,560,129</b>	<b>36,345</b>	<b>193,850</b>	<b>2,790,324</b>
Fund Balances Beginning of Year	409,310	560,265	286,325	1,255,900
Fund Balances End of Year	\$2,969,439	\$596,610	\$480,175	\$4,046,224

See accompanying notes to the basic financial statements

**Northridge Local School District, Ohio**  
*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, 2010*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$2,790,324</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
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. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital Asset Additions	232,801	
Depreciation Expense	(348,105)	(115,304)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for the disposals.		
		(4,129)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	(73,587)	
Student Fees	(5,875)	
Extracurricular Activities	(37)	
Miscellaneous	(1,583)	
Income Taxes	(22,498)	
Delinquent Taxes	62,945	(40,635)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		516,004
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		
		1,728
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences Payable	103,496	
Termination Benefits Payable	15,968	119,464
The amortization of premiums and issuance costs are reported on the statement of activities:		
Premium Amortization	28,384	
Issuance Costs Amortization	(10,092)	18,292
The difference between the net carrying amount of the refunded debt and the acquisition price is allocated over the life of the outstanding debt on the statement of activities.		
		(17,523)
<i>Change in Net Assets of Governmental Activities</i>		<b>\$3,268,221</b>

See accompanying notes to the basic financial statements

**Northridge Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$4,581,036	\$5,025,828	\$5,025,827	(\$1)
Income Tax	1,832,372	1,856,079	1,856,078	(1)
Intergovernmental	4,723,600	5,231,785	5,230,203	(1,582)
Investment Earnings	15,000	12,000	11,884	(116)
Tuition and Fees	605,299	608,647	605,736	(2,911)
Extracurricular Activities	29,750	34,459	34,324	(135)
Rentals	60,576	55,076	54,972	(104)
Contributions and Donations	0	945	945	0
Miscellaneous	2,389	5,684	5,382	(302)
<i>Total Revenues</i>	11,850,022	12,830,503	12,825,351	(5,152)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,365,758	5,301,525	5,370,299	(68,774)
Special	987,397	809,577	737,088	72,489
Vocational	145,244	151,552	154,994	(3,442)
Student Intervention Services	129,906	107,132	130,315	(23,183)
Other	0	29,935	37,650	(7,715)
Support Services:				
Pupil	542,732	471,492	482,600	(11,108)
Instructional Staff	229,166	239,188	238,118	1,070
Board of Education	97,023	63,443	57,122	6,321
Administration	820,759	749,231	725,497	23,734
Fiscal	351,800	399,126	380,756	18,370
Operation and Maintenance of Plant	978,893	901,173	863,529	37,644
Pupil Transportation	1,576,150	1,540,266	1,443,326	96,940
Central	65,069	65,804	70,539	(4,735)
Extracurricular Activities	136,976	137,110	157,027	(19,917)
Capital Outlay	205,000	223,900	223,414	486
<i>Total Expenditures</i>	11,631,873	11,190,454	11,072,274	118,180
<i>Excess of Revenues Over Expenditures</i>	218,149	1,640,049	1,753,077	113,028
<b>Other Financing Sources (Uses)</b>				
Advances In	957	5,034	5,034	0
Operating Transfers Out	0	(50,000)	(50,000)	0
Advances Out	0	0	(67,362)	(67,362)
<i>Total Other Financing Sources (Uses)</i>	957	(44,966)	(112,328)	(67,362)
<i>Net Change in Fund Balance</i>	219,106	1,595,083	1,640,749	45,666
<i>Fund Balance Beginning of Year</i>	549,885	549,885	549,885	0
Prior Year Encumbrances Appropriated	24,702	24,702	24,702	0
<i>Fund Balance End of Year</i>	\$793,693	\$2,169,670	\$2,215,336	\$45,666

See accompanying notes to the basic financial statements

**Northridge Local School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2010*

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<b>Assets</b>	
Cash and Cash Equivalents	\$40,959
	<hr/>
<i>Total Assets</i>	<u><u>\$40,959</u></u>
<b>Liabilities</b>	
Due to Students	\$40,959
	<hr/>
<i>Total Liabilities</i>	<u><u>\$40,959</u></u>

See accompanying notes to the basic financial statements

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Note 1 - Description of the School District and Reporting Entity**

The 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 1962 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 120 square miles. It is located in Licking, Knox, and Delaware Counties, and includes Burlington Township and the Villages of Alexandria and Croton. The School District is staffed by 34 classified employees, 90 certificated full-time teaching personnel, and 5 administrative employees who provide services to 1,364 students and other community members. The School District currently operates four instructional buildings and one garage.

On March 20, 2009, the School District was declared to be in a state of "Fiscal Caution" by the Ohio Department of Education based on the 5 year forecast. The School District was subsequently required to submit a fiscal caution recovery proposal to the Ohio Department of Education designed to avoid a potential deficit in fiscal years 2009 and 2010. The proposal was submitted by the School District on May 13, 2009 and accepted by the Ohio Department of Education on May 26, 2009. See Note 24 for further details.

***Reporting Entity***

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

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

The School District is associated with four jointly governed organizations and an insurance purchasing pool. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, the Educational Regional Service System Region 11, the School Study Council of Ohio, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which are presented in Notes 17 and 19 to the basic financial statements. The School District is associated with a related organization, the Alexandria Public Library which is discussed in Note 18.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Note 2 - Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and 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. 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.

**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.

**B. Fund Accounting**

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

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are descriptions of 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.

**Debt Service Fund** The debt service fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest, and related costs.

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

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

### **C. Measurement Focus**

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

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

### **D. Basis of Accounting**

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

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7).

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**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 governmental funds.

**E. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget is required under the Ohio Revised Code; however this requirement is waived by the Licking County Budget Commission (Budget Commission). The Budget Commission accepts the School District's five year forecast in place of the tax budget. The

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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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 control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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 statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

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

***F. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "cash and cash equivalents" on the financial statements.

During fiscal year 2010, investments were limited to repurchase agreements and State Treasury Asset Reserve of Ohio (STAR Ohio). Repurchase agreements are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$10,346, which includes \$3,302 assigned from other School District funds.

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

***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

***H. Inventory***

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

**Northridge Local School District**  
Notes to the Basic Financial Statements  
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***I. Receivables and Payables***

Receivables and payables are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

***J. Capital Assets***

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, 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	25-50 Years
Buildings and Improvements	50-100 Years
Furniture and Equipment	10-50 Years
Vehicles	5-15 Years

***K. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets.

***L. Compensated Absences***

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

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

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the funds from which these payments will be made.

***M. 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 funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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 year. Bonds, long-term notes, and capital leases are recognized as a liability on the governmental fund financial statements when due.

***N. Bond Premiums, Gains on Refinancing and Issuance Costs***

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt. Any gain or loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements issuance costs and bond premiums are recognized in the period in which the bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***O. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

***P. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and state and federal grants restricted to expenditures for specified purposes.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

***Q. Estimates***

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

**Note 3 – Change in Accounting Principles**

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District’s financial statements.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
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**Note 4 – Accountability and Compliance**

**A. Accountability**

The following funds had deficit fund balances as of June 30, 2010:

<u>Special Revenue Funds:</u>	<u>Deficit Fund Balances</u>
Title VI-B	(\$6,759)
Education Stabilization Fund	(5,936)
Class Size Reduction	(1,498)

The deficits in the special revenue funds were a result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

**B. Compliance**

The following funds had final appropriations in excess of estimated resources contrary to Section 5705.39, Revised Code:

<u>Special Revenue Funds:</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Miscellaneous State Grants	\$0	\$3,500	(\$3,500)
Title I	210,325	216,123	(5,798)
Title VI	0	1,000	(1,000)
Drug Free Schools	6,819	7,866	(1,047)
Class Size Reduction	48,415	55,159	(6,744)

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Prepaid items are reported on the statement of revenues, expenditures, and changes in fund balances (GAAP basis), but not on the budgetary basis.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Principal and interest payments on debt obligations are reported in a debt service fund at the budgetary level but was reclassified to the fund originally receiving the proceeds.

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

Net Change in Fund Balance	
GAAP Basis	\$2,560,129
Net Adjustment for Revenue Accruals	(820,100)
Net Adjustment for Expenditure Accruals	19,038
Beginning:	
Prepaid Items	25,050
Ending:	
Prepaid Items	(17,971)
Advances In	5,034
Advances Out	(67,362)
Adjustment for Encumbrances	<u>(63,069)</u>
Budget Basis	<u><u>\$1,640,749</u></u>

**Note 6 - Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance of \$124,396 was fully insured and collateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments** As of June 30, 2010, the School District had the following investments.

	<u>Fair Value</u>	<u>Average Maturity</u>	<u>S &amp; P Rating</u>	<u>Percent of Total Investments</u>
Repurchase Agreement	\$3,270,567	1 Day	AAA	92.15%
STAROhio	<u>278,788</u>	56 Days	AAAm	7.85%
Total	<u><u>\$3,549,355</u></u>			

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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Interest Rate Risk

The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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The School District receives property taxes from Licking, Knox, and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, 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 and the late personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$673,524, \$595,639 was available to the general fund, \$8,010 was available to the classroom facilities maintenance special revenue fund, and \$69,875 was available to the bond retirement debt service fund. The amount available as an advance at June 30, 2009, was \$232,063, \$198,029 was available to the general fund, \$3,826 was available to the classroom facilities maintenance special revenue fund, and \$30,208 was available to the bond retirement debt service fund.

The June 30 personal property tax settlement that was received July, 2010 amounted to \$48 in the general fund, \$4 in the classroom facilities maintenance special revenue fund, and \$1 in the bond retirement debt service fund. The June 30 personal property tax settlement that was received July, 2009 amounted to \$707 in the general fund, \$11 in the classroom facilities maintenance special revenue fund, and \$67 in the bond retirement debt service fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$208,215,740	93.79%	\$212,280,500	93.80%
Public Utility Personal	12,727,530	5.73%	13,660,160	6.04%
General Business Personal	1,057,030	0.48%	359,050	0.16%
	\$222,000,300	100.00%	\$226,299,710	100.00%
Tax rate per \$1,000 of assessed valuation	\$36.20		\$46.10	

In the May 2009 election, the voters of the School District approved the passage of a 9.9 mill Emergency Operating Levy that is expected to generate 2.1 million annually over the next five years. Collection for this levy began in calendar year 2010, which resulted in an increase in property taxes receivable for fiscal year 2010.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Note 8 - Income Tax**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was renewed and was effective on January 1, 2006 and remains in effect until December 31, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**Note 9 - Receivables**

Receivables at June 30, 2010 consisted of property taxes, income taxes, accounts (billings for user charged services, vendors commissions, and tuition and fees), and intergovernmental grants. 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 fiscal year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$299,354 as of June 30, 2010.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Medicaid Reimbursement	\$13,112
School Employee Retirement System Refund	3,757
Ohio Department of Taxation Fuel Tax Refunds	474
Johnstown-Monroe LSD Fuel Reimbursement	1,156
Ohio Department of Education Food Service Reimbursement	17,007
Title I	47,492
Title VI-B	114,806
Drug Free Schools Grant	<u>116</u>
Total	<u><u>\$197,920</u></u>

**Northridge Local School District**  
Notes to the Basic Financial Statements  
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**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>Nondepreciable Capital Assets</b>				
Land	\$224,090	\$0	\$0	\$224,090
<b>Depreciable Capital Assets</b>				
Land Improvements	864,061	204,611	(25,839)	1,042,833
Buildings and Improvements	13,099,746	0	0	13,099,746
Furniture and Equipment	2,939,648	28,190	(4,850)	2,962,988
Vehicles	16,876	0	0	16,876
Total at Historical Cost	<u>16,920,331</u>	<u>232,801</u>	<u>(30,689)</u>	<u>17,122,443</u>
Less Accumulated Depreciation				
Land Improvements	(435,258)	(36,848)	22,546	(449,560)
Buildings and Improvements	(3,146,043)	(141,847)	0	(3,287,890)
Furniture and Equipment	(1,248,040)	(167,184)	4,014	(1,411,210)
Vehicles	(7,631)	(2,226)	0	(9,857)
Total Accumulated Depreciation	<u>(4,836,972)</u>	<u>(348,105)</u>	<u>26,560</u>	<u>(5,158,517)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>12,083,359</u>	<u>(115,304)</u>	<u>(4,129)</u>	<u>11,963,926</u>
Governmental Activities Capital Assets, Net	<u>\$12,307,449</u>	<u>(\$115,304)</u>	<u>(\$4,129)</u>	<u>\$12,188,016</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$155,631
Special	28,240
Vocational	14,405
Support Services:	
Pupil	11,820
Instructional Staff	18,390
Administration	23,414
Fiscal	6,506
Operation and Maintenance of Plant	24,753
Pupil Transportation	895
Extracurricular	27,941
Food Service Operations	36,110
Total Depreciation Expense	<u>\$ 348,105</u>

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Notes to the Basic Financial Statements  
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**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2010, the School District contracted with Argonaut for all of their insurance. The types and amounts of coverage provided follows:

Building - Replacement Cost (\$1,000 deductible)	\$31,548,000
Money and Securities (\$500 deductible)	15,000
Blanket Employee Dishonesty (\$500 deductible)	100,000
Employee Benefits Aggregate Limit (\$1,000 deductible each claim)	
Per Occurrence	1,000,000
Aggregate Per Year	1,000,000
Automobile Liability	
Aggregate Per Year (deductible \$500 collision and comprehensive)	1,000,000
Uninsured Motor Vehicle Bodily Injury –Aggregate Per Year	1,000,000
Underinsured Motor Vehicle Bodily Injury - Aggregate Per Year	1,000,000
General Liability – Per Occurrence	1,000,000
General Liability - Aggregate Per Year	3,000,000
Products/Completed Operations Aggregate	3,000,000
Forgery (\$500 deductible)	100,000
Commercial Umbrella per Occurrence	2,000,000
Commercial Umbrella Aggregate	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past four years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2010, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). 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 Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

**Note 12 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available,

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stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008, were \$262,694, \$205,512, and \$127,138, respectively; 66 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009, and 2008 were \$627,813, \$638,409, and \$661,384 respectively; 86 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$34,856 made by the School District and \$24,897 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, there were no members of the Board of Education that elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 13 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School District's contributions for health care, including the surcharge, for the fiscal years ended June 30, 2010, 2009, and 2008 were \$15,602, \$114,975, and \$85,808 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$14,427, \$17,127, and \$9,385 respectively; 63 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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***B. State Teachers Retirement System***

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$50,975, \$49,794, and \$51,552 respectively; 81 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Note 14 - Employee Benefits**

***A. Compensated Absences***

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated by employees with no maximum carrying amount. Upon retirement, payment is made for one-fourth of accrued unused sick leave.

***B. Health Care Benefits***

The School District provides health and drug insurance for all eligible employees through United Healthcare. The School District pays medical and drug monthly premiums for staff of \$793.99 for family coverage and \$357.09 for single coverage. The School District also provides dental insurance for all eligible employees through Core Source. The School District's share of the monthly premium for dental insurance coverage is \$57.51 for family and \$19.84 for single employees. The School District provides vision insurance through Ameritas Group. The School District pays \$11.76 per month for family and \$5.76 for single employees.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life. Premiums are paid from the same funds that pay the employees' salaries.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**Note 15 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/2009	Additions	Deductions	Principal Outstanding 6/30/2010	Due Within One Year
<b>Classroom Facilities Refunding General</b>					
Improvement Serial Bonds - 4.50% - 5.00%	\$5,505,000	\$0	\$425,000	\$5,080,000	\$450,000
Bond Premium	256,797	0	27,031	229,766	0
Deferred Amount on Refunding	(166,469)	0	(17,523)	(148,946)	0
<b>School Energy Conservation Improvement</b>					
General Obligation Bonds - 4.25% - 4.75%	830,000	0	60,000	770,000	60,000
Bond Premium	14,203	0	1,353	12,850	0
<b>Total Long-Term Bonds</b>	<b>6,439,531</b>	<b>0</b>	<b>495,861</b>	<b>5,943,670</b>	<b>510,000</b>
Capital Leases	115,694	0	31,004	84,690	32,604
Compensated Absences	783,178	12,827	116,323	679,682	93,036
Termination Benefits Payable	240,399	67,138	83,106	224,431	96,539
<b>Total General Long-Term Obligations</b>	<b>\$7,578,802</b>	<b>\$79,965</b>	<b>\$726,294</b>	<b>\$6,932,473</b>	<b>\$732,179</b>

**General Obligation Bonds**

*2006 Classroom Facilities Improvement Refunding General Obligation Serial Bonds* - In April 2006, the School District issued \$6,780,000 of Classroom Facilities Improvement Refunding General Obligation Serial Bonds. These refunding bonds were issued to refund the 1995 Classroom Facilities Construction General Obligation Bonds outstanding in the amount of \$6,790,000. The 1995 Classroom Facilities Construction General Obligation Bonds were called on May 3, 2006. At June 30, 2006, the outstanding value of the 1995 bonds was removed from the financial statements. The refunding bonds were issued with a premium of \$351,406. The premium is reported as an increase to bonds payable. The premium is being amortized to interest expense over the life of the Classroom Facilities Improvement Refunding General Obligation Bonds using the straight-line method. The issuance costs of \$113,607 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The current refunding resulted in an accounting gain, the difference between the net carrying amount of the debt and the acquisition price, in the amount of \$227,799. This difference is being reported in the accompanying financial statement as a decrease to bonds payable and is being amortized to interest expense over the life of the bonds using the straight-line method.

Principal and interest requirements to retire the classroom facilities improvement refunding bonds outstanding at June 30, 2010, are as follows:

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$450,000	\$233,988	\$683,988
2012	475,000	212,019	687,019
2013	500,000	188,863	688,863
2014	530,000	164,400	694,400
2015	560,000	138,513	698,513
2016-2019	<u>2,565,000</u>	<u>262,044</u>	<u>2,827,044</u>
Total	<u>\$5,080,000</u>	<u>\$1,199,827</u>	<u>\$6,279,827</u>

The Bonds maturing on December 1, 2016 and thereafter are subject to optional redemption, in whole or part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity at the option of the Board of Education on or after December 1, 2016 at the redemption price of 100%.

*School Energy Conservation Improvement General Obligation Bonds* -In August 2005, the School District issued School Energy Conservation Improvement General Obligation Bonds in the amount of \$995,000 at variable interest rates of 4.25% to 4.75%. Principal and interest payments are due June and December 1 of each year through 2019. These bonds were issued for the purpose of energy conservation measures which included the purchase of a new chiller for the High School. The bonds were issued with a premium in the amount of \$19,615. The premium is reported as an increase to bonds payable. The premium is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs of \$19,615 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method.

Principal and interest requirements to retire the school energy conservation improvement bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$60,000	\$34,562	\$94,562
2012	65,000	31,750	96,750
2013	70,000	28,713	98,713
2014	70,000	25,563	95,563
2015	75,000	22,207	97,207
2016-2020	<u>430,000</u>	<u>52,965</u>	<u>482,965</u>
Total	<u>\$770,000</u>	<u>\$195,760</u>	<u>\$965,760</u>

The School District's overall legal debt margin was \$15,286,974, with an unvoted debt margin of \$226,300 at June 30, 2010.

***Capital Leases Payable***

Capital leases will be paid from the general fund.

***Compensated Absences Payable***

Compensated absences will be repaid from the general fund, and Title VI-B and food service special revenue funds.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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***Termination Benefits Payable***

Per the School District’s negotiated agreement, the Northridge Board of Education offered to pay any teacher who agreed to retire an amount equal to one year’s salary to be paid over a five year period for the teacher who is deemed a viable candidate by the School District. One fifth of this amount will be paid annually on January 2<sup>nd</sup> of each year for a five year period. To qualify for the termination benefits payable, the teacher should have completed twenty-five years of consecutive service with the School District or be sixty years of age. During fiscal year 2010, there was one teacher that agreed to participate in this plan.

**Note 16 - Interfund Transactions**

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
Governmental Funds:		
General Fund	\$71,303	\$0
Other Nonmajor Governmental Funds:		
Title VI-B	0	71,303
Total All Funds	\$71,303	\$71,303

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

The School District transferred \$50,000 from the General Fund to the EMIS Special Revenue Fund.

**Note 17 - Jointly Governed Organizations**

***A. Licking Area Computer Association***

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District’s continued participation and the School District does not have an equity interest in the Association. The School District’s payments to LACA for computer services for fiscal year 2010 were \$82,296. Financial statements for LACA can be obtained from their fiscal agent - the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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***B. Metropolitan Educational Council***

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes Educational Service Centers, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The Educational Service Center participates in the insurance purchasing pool. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating Educational Service Center in Franklin County (18 Educational Service Centers) and one representative from each county.

Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. School District payments to MEC for fiscal year 2010 were \$82,682 for gas heating, insurance and membership. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

***C. Educational Regional Service System Region 11***

The School District participates in the State Support Team Region 11 (SSTR11) a jointly governed organization operated by a Regional Advisory Council that is composed of entities within Delaware, Fairfield, Franklin, Licking, Madison, Pickaway, and Union counties. The purpose of SSTR11 is to provide professional development and technical assistance services to school districts, community schools, career centers, educational service centers, information technology centers, board of developmental disabilities, chartered nonpublic schools, and colleges and universities within the region by supporting State and district initiatives. The SSTR11 is governed by an advisory council, which is the advisory body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops recommendations to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the SSTR11, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the State Support Team – Region 11, 2080 Citygate Drive, Columbus, Ohio 43219. The School District made no payments to SSTR11 during fiscal year 2010.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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***D. School Study Council of Ohio***

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board). The Council is comprised of 70 member organizations. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and to vote. School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2010, the Board consisted of sixteen members. In fiscal year 2010, Northridge Local School District paid \$507 for membership fees and registration for a seminar. Financial information may be obtained by contacting the School Study Council of Ohio at 2080 Citygate Drive, Columbus, Ohio 43219.

**Note 18 - Related Organization**

***Alexandria Public Library***

The Alexandria Public Library is statutorily created as a separate and distinct political subdivision. Seven trustees of the District Library are appointed by the School District. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Due process is required to remove board members. No subsidies are provided by the School District.

**Note 19 - Insurance Purchasing Pool**

***Ohio School Boards Association Workers' Compensation Group Rating Plan***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 20 - Set-Aside Calculations**

The Northridge Local School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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 future years.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by the State statute.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2009	(\$638,185)	\$0
Current year set-aside requirement	230,958	230,958
Current year offsets	0	(172,693)
Qualifying Disbursements	<u>(278,909)</u>	<u>(380,367)</u>
Totals	<u>(\$686,136)</u>	<u>(\$322,102)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$686,136)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements and current year offsets during the fiscal year that reduced the capital improvement set-aside amount below zero. The total reserve balance for the two set-asides at the end of the fiscal year was zero.

**Note 21 - Contingencies**

**A. Grants**

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

The School District was approved for \$397,821 of Federal Stimulus dollars as part of The American Recovery and Reinvestment Act of 2009. These allocations are primarily to fund special education and early childhood programs. The allocations became available in fiscal year 2010 and will continue to be used to fund programs during fiscal year 2011.

**B. Litigation**

The School District is currently not a party to any material legal proceedings.

**Note 22 - Capitalized Leases**

The School District has entered into capitalized leases for HVAC computer equipment from Johnson Controls, Inc. and copiers from Comdoc, Inc. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The agreement provides for minimum annual lease payments as follows:

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

Fiscal Year Ending June 30,	Principal	Interest
2011	\$32,604	\$3,523
2012	34,286	1,841
2013	17,800	264
Total	\$84,690	\$5,628

The HVAC computer equipment was originally capitalized in the amount of \$66,000 and the copiers was originally capitalized in the amount of \$159,372. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2010 totaled \$31,004 in the governmental funds. The equipment has been capitalized in the amount of \$225,372, the present value of the minimum lease payments at the inception of the lease. There was accumulated depreciation of \$93,478 as of June 30, 2010, therefore, leaving a remaining book value of \$131,894.

**Note 23 - Operating Lease**

The School District has entered into a noncancelable operating lease for modular units on May 8, 2008 to accommodate students during fiscal year 2009. This lease agreement is for 48 months at \$10,274 per month. In addition, there were set-up fees for the modular's that was paid by the School District during fiscal year 2009 in the amount of \$416,220 and there will also be a tear-down fee that will be paid by the School District once additional school buildings are built. The estimated tear-down costs are approximately \$106,205 (based on today's pricing). Principal payments in fiscal year 2010 totaled \$123,288 in the governmental funds.

The future minimum lease payments for this lease are as follows:

Fiscal Year Ending June 30,	Principal
2011	\$123,288
2012	123,288
2013	10,274
Total	\$256,850

**Note 24 - Fiscal Caution**

On March 20, 2009, the Northridge Local School District was placed in fiscal caution by the Ohio Department of Education and was required to submit a fiscal caution recovery plan by May 26, 2009 to address the projected deficit. The fiscal caution financial recovery plan includes the reduction of approximately 4 positions through reduction in force, a spending freeze for all but essential items for instruction and health and safety items and a decrease special education services contracted through the Educational Services Center. The net savings was projected at \$1.4 million in fiscal year 2009. In addition, the fiscal caution financial recovery plan for fiscal year 2010 includes eliminating 12 positions through reduction in force, retirements, non-renewal of positions, and transfers to another funding source resulting in a net savings projected at \$1.2 million. No other documentation was requested from the Ohio Department of Education for fiscal year 2010.

**Northridge Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Note 25 – Subsequent Events**

***A. Income Tax Renewal Levy***

The School District Income Tax Renewal Levy was placed on the November 2, 2010 ballot for the final time before it is set to expire. The levy was not approved by voters and will result in a loss of approximately \$1.7 million in income tax revenues beginning in the calendar year 2011.

***B. Federal Grants***

The School District has been approved for \$185,569 of Federal Education Jobs Fund Program Dollars as part of Public Law No. 111-226, signed by President Obama on August 10, 2010. This program provides assistance to save or create education jobs. The allocation will be available to fund fiscal year 2011.

In addition, the School District has also been approved for \$25,000 a year for the next four years of Race to the Top Program Dollars. This program provides the use of expenditures for a new program or an expansion of an existing, a proven program aligned to an approved scope of work in the areas of Standards and Assessments, Using Data to Improve Instruction, Great Teachers and Leaders, and Turning Around the Lowest-Achieving Schools.

***C. School Employees Retirement System***

Effective July 1, 2010, the SERS has changed the Ohio Department of Education Foundation Program deductions for traditional public schools from a calendar year basis, six month in arrears, to a fiscal year basis, which will coincide with the participating School Districts' fiscal year. As a result, the Foundation deductions which would have been collected six months in arrears became due June 30, 2010. Northridge Local School District will have the balance due paid in equal installments over a six year period beginning July, 2010

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor Pass-Through Grantor/Program or Cluster Title	Grant Year(s)	CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Lunch Program	2010	10.555	\$ 93,507	\$ 22,349	\$ 93,507	22,349
School Breakfast Program	2010	10.553	9,194		9,194	
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b>102,701</b>	<b>22,349</b>	<b>102,701</b>	<b>22,349</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Cluster						
Title I	2009/2010	84.010	108,880	-	110,378	-
ARRA- Title I	2010	84.389	51,937	-	40,653	-
<b>Total Title I Cluster</b>			<b>160,817</b>	<b>-</b>	<b>151,031</b>	<b>-</b>
Special Education Cluster						
Title VI-B - Special Education Grants to States	2009/2010	84.027	215,564	-	281,969	-
ARRA- Title VI-B - Special Education Grants to States	2010	84.391	166,425	-	149,382	-
<b>Total Special Education Cluster</b>			<b>381,989</b>	<b>-</b>	<b>431,351</b>	<b>-</b>
Title IV - Safe and Drug-Free Schools and Communities	2009/2010	84.186	6,477	-	5,807	-
Title V - Innovative Education Program	2009/2010	84.298	-	-	1,038	-
Title II-D - Education Technology State Grants	2009/2010	84.318	1,831	-	1,593	-
Title II-A - Improving Teacher Quality	2009/2010	84.367	48,687	-	42,569	-
ARRA- State Fiscal Stabilization Fund- Education State Grants	2010	84.394	296,756	-	296,726	-
Javits Gifted and Talented Students Education Grant Program	2010	84.206	500	-	244	-
<b>Total U.S. Department of Education</b>			<b>897,057</b>	<b>-</b>	<b>930,359</b>	<b>-</b>
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 999,758</b>	<b>\$ 22,349</b>	<b>\$ 1,033,060</b>	<b>\$ 22,349</b>

*The accompanying notes are an integral part of this schedule.*

**NORTHRIDGE LOCAL SCHOOL DISTRICT.  
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING REQUIREMENTS**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**NOTE E – TRANSFERS**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2010, the Ohio Department of Education (ODE) authorized the following transfers:

Title I	84.010	2009/2010	9,162	9,162
Title II-A	84.367	2009/2010	7,180	7,180
Title IV-A	84.186	2009/2010	6,043	6,043
IDEA-B	84.027	2009/2010	<u>3,271</u>	<u>3,271</u>
			<u>25,656</u>	<u>25,656</u>

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Northridge Local School District  
Licking County  
6066 Johnstown-Utica Road  
Johnstown, Ohio 43031

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated December 10, 2010.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Northridge Local School District  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 10, 2010.

This report is intended for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
December 10, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Northridge Local School District  
Licking County  
66066 Johnstown-Utica Road  
Johnstown, Ohio 43031

To the Board of Education:

**Compliance**

We have audited the compliance of Northridge Local School District, Licking County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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 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 compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matter(s) involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 10, 2010.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
December 10, 2010

**NORTHRIDGE LOCAL SCHOOL DISTRICT.  
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Title VI-B – Special Education Grants to States CFDA 84.027 and 84.391 (Special Education Cluster)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

**NORTHRIDGE LOCAL SCHOOL DISTRICT.  
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



# Dave Yost • Auditor of State

**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 15, 2011**