

NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO

Single Audit

For the Fiscal Year Ended June 30, 2011



Dave Yost • Auditor of State

Board of Education
Northridge Local School District
6066 Johnstown-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, 2010 through June 30, 2011. 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.

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Dave Yost
Auditor of State

January 5, 2012

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NORHTRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY

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JUNE 30, 2011

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INDEPENDENT ACCOUNTANTS' REPORT

Northridge Local School District
Licking County
6066 Johnstown-Utica Road
Johnstown, 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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northridge Local School District, Licking County, Ohio, as of June 30, 2011, 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.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of receipts and expenditures of federal awards provides additional information required by the 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. The federal awards expenditure schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Kennedy Cottrell Richards LLC".

Kennedy Cottrell Richards LLC
November 28, 2011

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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, 2011. 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 2011 are as follows:

- Net assets of governmental activities increased \$2,340,823.
- General revenues accounted for \$13,369,780 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$2,356,378, 15 percent of total revenues of \$15,726,158.
- Total assets of governmental activities increased \$1,843,370. The majority of this increase was due to an increase in cash and cash equivalents in the amount of \$2,877,465 and an increase in intergovernmental receivables in the amount of \$99,271. These increases were offset by a decrease in income taxes receivable in the amount of \$962,717 and a decrease in capital assets in the amount of \$157,526.
- The School District had \$13,385,335, in expenses related to governmental activities; only \$2,356,378 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues in the amount of \$13,369,780 were adequate to provide for these programs.
- The School District major fund was the general fund. The general fund had \$13,245,682 in revenues, \$11,530,451 in expenditures, and \$96,612 in other financing sources (uses). The general fund's balance increased \$1,811,843.

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, 2011
Unaudited

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 2011?" 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 fund. 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 fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general 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, 2011
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 2011 compared to 2010.

Table 1 - Net Assets

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2011</u>	<u>2010</u>	
Assets			
Current and Other Assets	\$13,979,659	\$11,978,763	\$2,000,896
Capital Assets	12,030,490	12,188,016	(157,526)
Total Assets	<u>26,010,149</u>	<u>24,166,779</u>	<u>1,843,370</u>
Liabilities			
Long-Term Liabilities	6,350,420	6,932,473	(582,053)
Other Liabilities	7,510,467	7,425,867	84,600
Total Liabilities	<u>13,860,887</u>	<u>14,358,340</u>	<u>(497,453)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	6,546,668	6,259,638	287,030
Restricted	1,221,520	946,825	274,695
Unrestricted	4,381,074	2,601,976	1,779,098
Total Net Assets	<u><u>\$12,149,262</u></u>	<u><u>\$9,808,439</u></u>	<u><u>\$2,340,823</u></u>

Total assets increased \$1,843,370. The majority of this increase was due to an increase in cash and cash equivalents in the amount of \$2,877,465 and an increase of \$99,271 in intergovernmental receivable. These increases were offset by a decrease in income taxes receivable in the amount of \$962,717 and a decrease in capital assets in the amount of \$157,526. The increase in intergovernmental receivable is due to a greater amount of grants not being received before fiscal year end 2011 as compared to fiscal year 2010. 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. The decrease in income taxes receivable is the direct result of the School District voters not renewing the income tax levy that expired December 31, 2010. The decrease in capital assets was due mainly to current year depreciation exceeding additions.

Total liabilities decreased \$497,453. Long-term liabilities decreased \$582,053 primarily due to the payment of \$450,000 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 \$31,253 for the HVAC computer equipment and copiers capital leases. Deferred revenue increased \$85,824 due to the increase in receivable amounts for grants and also as a result of the increase in assessed values that were certified by the County Auditor for property taxes.

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011 and comparisons to fiscal year 2010.

Table 2 - Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
Revenues			
Program Revenues:			
Charges for Services	\$1,188,530	\$1,110,432	\$78,098
Operating Grants and Contributions	1,167,848	1,047,873	119,975
	<u>2,356,378</u>	<u>2,158,305</u>	<u>198,073</u>
General Revenue:			
Property Taxes	6,549,144	6,301,669	247,475
Income Taxes	1,348,465	2,306,897	(958,432)
Grants and Entitlements	5,457,011	5,337,395	119,616
Investment Earnings	11,954	10,346	1,608
Miscellaneous	3,206	7,715	(4,509)
	<u>13,369,780</u>	<u>13,964,022</u>	<u>(594,242)</u>
Total Revenues	<u>15,726,158</u>	<u>16,122,327</u>	<u>(396,169)</u>
Program Expenses			
Instruction			
Regular	5,787,793	5,484,269	303,524
Special	1,255,847	1,058,759	197,088
Vocational	168,413	164,903	3,510
Student Intervention Services	6,741	130,315	(123,574)
Support Services			
Pupil	617,963	583,203	34,760
Instructional Staff	450,313	471,237	(20,924)
Board of Education	87,564	49,700	37,864
Administration	1,037,373	995,554	41,819
Fiscal	399,954	404,385	(4,431)
Operation and Maintenance of Plant	977,528	961,329	16,199
Pupil Transportation	1,452,890	1,438,397	14,493
Central	152,098	131,257	20,841
Operation of Non-Instructional Services:			
Food Service Operations	442,200	411,870	30,330
Community Services	4,971	4,022	949
Extracurricular Activities	272,129	270,780	1,349
Interest and Fiscal Charges	271,558	294,126	(22,568)
Total Program Expenses	<u>13,385,335</u>	<u>12,854,106</u>	<u>531,229</u>
<i>Change in Net Assets</i>	2,340,823	3,268,221	(927,398)
Net Assets Beginning of Year	<u>9,808,439</u>	<u>6,540,218</u>	<u>3,268,221</u>
Net Assets End of Year	<u>\$12,149,262</u>	<u>\$9,808,439</u>	<u>\$2,340,823</u>

Net assets increased by \$2,340,823 in fiscal year 2011. Revenues reflect a decrease of \$396,169 due to the expiration of the income taxes levy as of December 31, 2010. Income taxes decreased approximately \$958,432 due to the expiration of the income tax levy as of December 31, 2010. This decrease was offset by an increase in property taxes in the amount of \$247,245 as a result of the passage of the 9.9 mill Emergency Operating Levy in May 2009. This decrease was also offset by increases in the operating grants and contributions in the amount of \$119,975, grants and entitlements in the amount of \$119,616,

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

and charges for services increases \$78,098. Program expenses increased \$531,229 due mainly to a \$380,548 increase in total instruction, an increase of \$140,621 in total support services, and a \$31,279 increase in total non-instructional services.

Instruction comprises approximately 54 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 42 percent of revenues for governmental activities for the School District in fiscal year 2011.

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

	2011 Total Cost of Services	2011 Net Cost of Services	2010 Total Cost of Services	2010 Net Cost of Services
Instruction:				
Regular	\$5,787,793	\$4,944,425	\$5,484,269	\$4,882,917
Special	1,255,847	882,903	1,058,759	586,984
Vocational	168,413	138,869	164,903	135,579
Student Intervention Services	6,741	6,741	130,315	130,315
Support Services:				
Pupil	617,963	512,997	583,203	494,893
Instructional Staff	450,313	244,741	471,237	274,436
Board of Education	87,564	87,564	49,700	49,700
Administration	1,037,373	939,587	995,554	917,622
Fiscal	399,954	312,184	404,385	314,547
Operation and Maintenance of Plant	977,528	894,487	961,329	896,062
Pupil Transportation	1,452,890	1,452,890	1,438,397	1,438,397
Central	152,098	137,998	131,257	117,112
Operation of Non-Instructional Services:				
Food Service Operations	442,200	44,932	411,870	9,837
Community Services	4,971	(1,775)	4,022	(2,484)
Extracurricular Activities	272,129	158,856	270,780	155,758
Interest and Fiscal Charges	271,558	271,558	294,126	294,126
Totals	\$13,385,335	\$11,028,957	\$12,854,106	\$10,695,801

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 3 clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2011, only 18 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 82 percent is provided through taxes and entitlements.

The School District's Major Fund

The School District's major fund (the general fund) is accounted for using the modified accrual basis of accounting.

General Fund

The general fund had total revenues of \$13,245,682, expenditures of \$11,530,451, and other financing sources (uses) in the amount of \$96,612 which resulted in an increase in fund balance of \$1,811,843. 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 2011, the School District recognized a full year of emergency levy revenues. In addition, the School District is closely monitoring the general fund cash basis fund balance.

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 2011, 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 \$13,771,905. The original budget estimates were increased to a final budget amount of \$14,240,984 for the fiscal year. Actual revenues were \$50,368 below final budgeted estimates.

Original appropriations plus prior year encumbrances were \$12,302,880. The appropriations were decreased to the final budget of \$11,895,571. Actual expenditures were under appropriations by \$553,768 due to the School District monitoring their spending during fiscal year 2011.

The School District's ending unobligated fund balance was \$5,127,218 which improved from the beginning balance of \$2,215,336.

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$12,030,490 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared to 2010.

**Table 4 - Capital Assets at June 30, 2011
 (Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$224,090	\$224,090
Land Improvements	557,315	593,273
Buildings and Improvements	9,687,880	9,811,856
Furniture and Equipment	1,556,412	1,551,778
Vehicles	4,793	7,019
Totals	<u><u>\$12,030,490</u></u>	<u><u>\$12,188,016</u></u>

See Note 11 for more detailed information of the School District's capital assets.

Debt

At June 30, 2011, the School District had \$5,572,359 in classroom facility improvement refunding bonds, school energy conservation improvement bonds, and capital leases outstanding.

Table 5 - Outstanding Debt, at Fiscal Year End

	Governmental	Governmental
	Activities	Activities
	<u>2011</u>	<u>2010</u>
Classroom Facility Improvement Refunding Bonds	\$4,630,000	\$5,080,000
Bond Premium	202,735	229,766
Deferred Amount on Refunding	(131,423)	(148,946)
School Energy Conservation Improvement Bonds	710,000	770,000
Bond Premium	11,497	12,850
Capital Leases	149,550	84,690
Totals	<u><u>\$5,572,359</u></u>	<u><u>\$6,028,360</u></u>

See Note 16 for more detailed information of the School District's debt.

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Economic Factors

During fiscal year 2011, the School District's net assets increased by \$2,340,823. This was due mainly to the School District closely monitoring the financial stability. 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.

According to the most recent Board-approved five year forecast, the School District is projecting deficit spending beginning in fiscal year 2013 and deficit cash balances beginning in fiscal year 2016.

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.

Northridge Local School District, Ohio

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$6,204,100
Cash and Cash Equivalents in Segregated Accounts	2,425
Materials and Supplies Inventory	7,904
Inventory Held for Resale	19,428
Intergovernmental Receivable	297,191
Accrued Interest Receivable	292
Income Taxes Receivable	287,503
Prepaid Items	4,994
Accounts Receivable	13,318
Property Taxes Receivable	7,065,464
Deferred Charges	77,040
Nondepreciable Capital Assets	224,090
Depreciable Capital Assets, Net	<u>11,806,400</u>
<i>Total Assets</i>	<u>26,010,149</u>
Liabilities	
Accounts Payable	76,450
Accrued Wages and Benefits Payable	842,486
Matured Compensated Absences Payable	39,337
Accrued Interest Payable	20,325
Intergovernmental Payable	357,365
Deferred Revenue	6,174,504
Long-Term Liabilities:	
Due Within One Year	721,315
Due In More Than One Year	<u>5,629,105</u>
<i>Total Liabilities</i>	<u>13,860,887</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,546,668
Restricted for:	
Debt Service	588,477
Classroom Facilities Maintenance	231,503
Food Service	135,434
Education Jobs	127,129
District Managed Activities	57,445
Title VI-B	29,140
Title I	17,849
Race to the Top	13,440
Class Size Reduction	9,600
Other Purposes	11,503
Unrestricted	<u>4,381,074</u>
<i>Total Net Assets</i>	<u><u>\$12,149,262</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, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$5,787,793	\$686,028	\$157,340	(\$4,944,425)
Special	1,255,847	0	372,944	(882,903)
Vocational	168,413	0	29,544	(138,869)
Student Intervention Services	6,741	0	0	(6,741)
Support Services:				
Pupil	617,963	0	104,966	(512,997)
Instructional Staff	450,313	0	205,572	(244,741)
Board of Education	87,564	0	0	(87,564)
Administration	1,037,373	50,946	46,840	(939,587)
Fiscal	399,954	0	87,770	(312,184)
Operation and Maintenance of Plant				
Pupil Transportation	977,528	54,731	28,310	(894,487)
Central	1,452,890	0	0	(1,452,890)
Central	152,098	0	14,100	(137,998)
Operation of Non-Instructional Services:				
Food Service Operations	442,200	276,806	120,462	(44,932)
Community Services	4,971	6,746	0	1,775
Extracurricular Activities	272,129	113,273	0	(158,856)
Interest and Fiscal Charges	271,558	0	0	(271,558)
Totals	\$13,385,335	\$1,188,530	\$1,167,848	(\$11,028,957)
General Revenues				
Property Taxes Levied for:				
				5,780,460
				691,225
				77,459
				1,348,465
				5,457,011
				11,954
				3,206
				13,369,780
				2,340,823
				9,808,439
				\$12,149,262

See accompanying notes to the basic financial statements

Northridge Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$5,196,354	\$1,007,746	\$6,204,100
Cash and Cash Equivalents in Segregated Accounts	0	2,425	2,425
Materials and Supplies Inventory	7,031	873	7,904
Inventory Held for Resale	2,261	17,167	19,428
Intergovernmental Receivable	3,226	293,965	297,191
Accrued Interest Receivable	292	0	292
Income Taxes Receivable	287,503	0	287,503
Prepaid Items	2,603	2,391	4,994
Accounts Receivable	13,318	0	13,318
Interfund Receivable	32,240	0	32,240
Property Taxes Receivable	6,234,596	830,868	7,065,464
Total Assets	\$11,779,424	\$2,155,435	\$13,934,859
Liabilities			
Accounts Payable	\$61,021	\$15,429	\$76,450
Accrued Wages and Benefits Payable	767,970	74,516	842,486
Matured Compensated Absences Payable	39,337	0	39,337
Interfund Payable	0	32,240	32,240
Intergovernmental Payable	319,249	38,116	357,365
Deferred Revenue	5,783,290	997,366	6,780,656
Total Liabilities	6,970,867	1,157,667	8,128,534
Fund Balances			
Nonspendable	11,895	20,431	32,326
Restricted	0	1,002,521	1,002,521
Committed	2,885	0	2,885
Assigned	339,837	0	339,837
Unassigned	4,453,940	(25,184)	4,428,756
Total Fund Balances	4,808,557	997,768	5,806,325
Total Liabilities and Fund Balances	\$11,779,424	\$2,155,435	\$13,934,859

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, 2011*

Total Governmental Fund Balances	\$5,806,325
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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.	12,030,490
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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	359,904
Income Taxes Receivable	14,878
Intergovernmental Receivable	222,342
Student Fees	9,028
	606,152

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.	77,040
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
Bonds Payable	(5,340,000)
Bond Premium	(214,232)
Deferred Amount on Refunding	131,423
Accrued Interest Payable	(20,325)
Capital Leases Payable	(149,550)
Compensated Absences	(650,169)
Retirement Incentive Payable	(127,892)
	(6,370,745)

Net Assets of Governmental Activities	<u><u>\$12,149,262</u></u>
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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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$5,726,084	\$762,510	\$6,488,594
Income Taxes	1,441,024	0	1,441,024
Intergovernmental	5,234,088	1,194,106	6,428,194
Investment Earnings	11,954	369	12,323
Tuition and Fees	685,536	0	685,536
Extracurricular Activities	88,659	82,306	170,965
Rentals	54,731	0	54,731
Charges for Services	0	276,806	276,806
Contributions and Donations	400	0	400
Miscellaneous	3,206	0	3,206
Total Revenues	13,245,682	2,316,097	15,561,779
Expenditures			
Current:			
Instruction:			
Regular	5,852,431	125,523	5,977,954
Special	913,822	286,133	1,199,955
Vocational	153,106	0	153,106
Student Intervention Services	6,741	0	6,741
Support Services:			
Pupils	493,851	101,220	595,071
Instructional Staff	246,705	185,518	432,223
Board of Education	87,564	0	87,564
Administration	962,654	39,192	1,001,846
Fiscal	383,234	6,374	389,608
Operation and Maintenance of Plant	695,535	356,190	1,051,725
Pupil Transportation	1,432,449	19,546	1,451,995
Central	85,848	66,250	152,098
Operation of Non-Instructional Services:			
Food Service Operations	0	396,565	396,565
Community Services	4,971	0	4,971
Extracurricular Activities	174,602	74,872	249,474
Debt Service:			
Principal Retirement	31,253	510,000	541,253
Interest and Fiscal Charges	5,685	268,550	274,235
Total Expenditures	11,530,451	2,435,933	13,966,384
Excess of Revenues Over (Under) Expenditures	1,715,231	(119,836)	1,595,395
Other Financing Sources (Uses)			
Transfers In	0	68,094	68,094
Inception of a Capital Lease	164,706	0	164,706
Transfers Out	(68,094)	0	(68,094)
Total Other Financing Sources (Uses)	96,612	68,094	164,706
Net Change in Fund Balances	1,811,843	(51,742)	1,760,101
Fund Balances Beginning of Year - Restated (See Note 3)	2,996,714	1,049,510	4,046,224
Fund Balances End of Year	\$4,808,557	\$997,768	\$5,806,325

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, 2011*

Net Change in Fund Balances - Total Governmental Funds		\$1,760,101
<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 depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	275,441	
Depreciation Expense	(371,455)	(96,014)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of capital assets:		
Loss on Disposal of Capital Assets	(61,512)	
Forgiven Lease	68,593	7,081
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	195,896	
Student Fees	492	
Income Taxes	(92,559)	
Delinquent Taxes	60,550	164,379
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		541,253
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		
		1,908
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	29,513	
Termination Benefits Payable	96,539	126,052
Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long-term liabilities on the statement of activities.		
		(164,706)
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>		\$2,340,823

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, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$5,753,019	\$5,867,224	\$5,846,373	(\$20,851)
Income Tax	1,880,000	2,319,424	2,311,182	(8,242)
Intergovernmental	5,349,368	5,196,728	5,178,261	(18,467)
Investment Earnings	11,000	12,979	12,933	(46)
Tuition and Fees	616,800	688,114	685,669	(2,445)
Extracurricular Activities	33,700	30,561	30,452	(109)
Rentals	55,000	54,926	54,731	(195)
Contributions and Donations	500	401	400	(1)
Miscellaneous	2,518	3,265	3,253	(12)
<i>Total Revenues</i>	13,701,905	14,173,622	14,123,254	(50,368)
Expenditures				
Current:				
Instruction:				
Regular	5,764,422	5,924,109	5,645,982	278,127
Special	924,183	955,287	910,438	44,849
Vocational	150,902	158,914	151,453	7,461
Student Intervention Services	0	7,404	7,056	348
Other	174,772	23,221	22,131	1,090
Support Services:				
Pupil	577,616	515,190	491,003	24,187
Instructional Staff	251,597	262,284	249,970	12,314
Board of Education	72,175	80,350	76,578	3,772
Administration	972,855	954,442	909,632	44,810
Fiscal	471,335	423,935	404,032	19,903
Operation and Maintenance of Plant	912,877	727,260	693,116	34,144
Pupil Transportation	1,572,846	1,505,418	1,434,741	70,677
Central	79,081	81,092	77,285	3,807
Extracurricular Activities	168,219	176,331	168,052	8,279
Capital Outlay	50,000	0	0	0
<i>Total Expenditures</i>	12,142,880	11,795,237	11,241,469	553,768
<i>Excess of Revenues Over Expenditures</i>	1,559,025	2,378,385	2,881,785	503,400
Other Financing Sources (Uses)				
Advances In	70,000	67,362	67,362	0
Operating Transfers Out	(90,000)	(68,094)	(68,094)	0
Advances Out	(70,000)	(32,240)	(32,240)	0
<i>Total Other Financing Sources (Uses)</i>	(90,000)	(32,972)	(32,972)	0
<i>Net Change in Fund Balance</i>	1,469,025	2,345,413	2,848,813	503,400
<i>Fund Balance Beginning of Year</i>	2,215,336	2,215,336	2,215,336	0
Prior Year Encumbrances Appropriated	63,069	63,069	63,069	0
<i>Fund Balance End of Year</i>	\$3,747,430	\$4,623,818	\$5,127,218	\$503,400

See accompanying notes to the basic financial statements

Northridge Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets	
Cash and Cash Equivalents	\$30,946
	<hr/>
<i>Total Assets</i>	<u><u>\$30,946</u></u>
 Liabilities	
Due to Students	\$30,946
	<hr/>
<i>Total Liabilities</i>	<u><u>\$30,946</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, 2011

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, 95 certificated full-time teaching personnel, and 9 administrative employees who provide services to 1,389 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 25 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 two insurance purchasing pools. 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, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan, which are presented in Notes 18 and 20 to the basic financial statements. The School District is associated with a related organization, the Alexandria Public Library which is discussed in Note 19.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011

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 is the description of the School District's major governmental fund:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

The 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, 2011

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 8).

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, 2011, but which were levied to finance fiscal year 2012 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.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 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 2011, 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, 2011.

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 2011 amounted to \$11,954, which includes \$1,773 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.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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.

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.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

O. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

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

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

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 borrowing 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 external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include music and athletic programs and local, federal, and state grants restricted to expenditure for specified purposes.

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

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 Principle and Restatement of Fund Balances

A. Change in Accounting Principle

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

B. Restatement of Fund Balances

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Other Governmental Funds
Fund Balance at		
June 30, 2010	\$2,969,439	\$1,076,785
Change in Fund Structure	27,275	(27,275)
Adjusted Fund Balance at		
June 30, 2010	\$2,996,714	\$1,049,510

Northridge Local School District
Notes to the Basic Financial Statements
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Note 4 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
<u>Nonspendable:</u>			
Prepays	\$2,603	\$2,391	\$4,994
Materials and Supplies Inventory	7,031	873	7,904
Inventory Held for Resale	2,261	17,167	19,428
<i>Total Nonspendable</i>	<u>11,895</u>	<u>20,431</u>	<u>32,326</u>
<u>Restricted for:</u>			
Food Service Operations	0	122,353	122,353
Athletics and Music	0	57,445	57,445
Local Grant Expenditures	0	6,133	6,133
Education Management Information System Applications	0	5,114	5,114
Technology Improvements	0	256	256
Debt Service Payments	0	586,392	586,392
Capital Improvements	0	224,828	224,828
<i>Total Restricted</i>	<u>0</u>	<u>1,002,521</u>	<u>1,002,521</u>
<u>Committed to:</u>			
Other Purposes	2,885	0	2,885
<i>Total Committed</i>	<u>2,885</u>	<u>0</u>	<u>2,885</u>
<u>Assigned to:</u>			
Other Purposes	339,837	0	339,837
<i>Total Assigned</i>	<u>339,837</u>	<u>0</u>	<u>339,837</u>
Unassigned:	4,453,940	(25,184)	4,428,756
<i>Total Fund Balances</i>	<u>\$4,808,557</u>	<u>\$997,768</u>	<u>\$5,806,325</u>

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5 – Accountability

The following funds had deficit fund balances as of June 30, 2011:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds:</u>	
Title VI-B	(\$21,617)
Title I	(2,137)
Race to the Top	(827)
Class Size Reduction	(603)

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.

Note 6 - 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) rather than committed or assigned fund balance (GAAP).
4. Prepaid items are reported on the statement of revenues, expenditures, and changes in fund balances (GAAP basis), but not on the budgetary basis.
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.
7. Budgetary revenues and expenditures of the public school support fund and the school store fund are reclassified to the general fund for GAAP Reporting.

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

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Net Change in Fund Balance

GAAP Basis	\$1,811,843
Net Adjustment for Revenue Accruals	934,600
Net Adjustment for Expenditure Accruals	96,233
Beginning:	
Prepaid Items	17,971
Ending:	
Prepaid Items	(2,603)
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(2,579)
Advances In	67,362
Advances Out	(32,240)
Adjustment for Encumbrances	(41,774)
Budget Basis	\$2,848,813

Note 7 - 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;
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;

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 \$127,473 was fully insured and collateralized.

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, 2011, the School District had the following investments.

	Fair Value	Average Maturity	Percent of Total Investments
Repurchase Agreement	\$5,941,647	1 Day	95.51%
STAROhio	279,089	58 Days	4.49%
Total	\$6,220,736		

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.

Northridge Local School District
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For the Fiscal Year Ended June 30, 2011

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 8 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2011 (other than public utility property) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments made by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$531,056, \$475,212 was available to the general fund, \$6,291 was available to the classroom facilities maintenance special revenue fund, and \$49,553 was available to the bond retirement debt service fund. 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.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
	Real Estate	\$212,280,500	93.80%	\$212,907,660
Public Utility Personal	13,660,160	6.04%	14,691,220	6.45%
General Business Personal	359,050	0.16%	155,040	0.07%
	\$226,299,710	100.00%	\$227,753,920	100.00%
Tax rate per \$1,000 of assessed valuation	\$46.10		\$45.50	

Note 9 - 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 through 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. Since the income tax levy ended on December 31, 2010, a receivable has been recorded at June 30, 2011 for delinquent income tax revenue amounts that were provided by the Ohio Department of Taxation.

Note 10 - Receivables

Receivables at June 30, 2011 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 \$359,904 as of June 30, 2011.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amounts</u>
Medicaid Reimbursement	\$2,881
Ohio Department of Taxation Fuel Tax Refunds	345
Education Jobs Grant	127,129
Race to the Top Grant	17,017
Title I	94,982
Title VI-B	43,577
Title II-A	<u>11,260</u>
Total	<u><u>\$297,191</u></u>

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Nondepreciable Capital Assets				
Land	<u>\$224,090</u>	<u>\$0</u>	<u>\$0</u>	<u>\$224,090</u>
Depreciable Capital Assets				
Land Improvements	1,042,833	0	0	1,042,833
Buildings and Improvements	13,099,746	17,871	0	13,117,617
Furniture and Equipment	2,962,988	257,570	(161,467)	3,059,091
Vehicles	<u>16,876</u>	<u>0</u>	<u>0</u>	<u>16,876</u>
Total at Historical Cost	<u>17,122,443</u>	<u>275,441</u>	<u>(161,467)</u>	<u>17,236,417</u>
Less Accumulated Depreciation				
Land Improvements	(449,560)	(35,958)	0	(485,518)
Buildings and Improvements	(3,287,890)	(141,847)	0	(3,429,737)
Furniture and Equipment	(1,411,210)	(191,424)	99,955	(1,502,679)
Vehicles	<u>(9,857)</u>	<u>(2,226)</u>	<u>0</u>	<u>(12,083)</u>
Total Accumulated Depreciation	<u>(5,158,517)</u>	<u>(371,455)</u>	<u>99,955</u>	<u>(5,430,017)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>11,963,926</u>	<u>(96,014)</u>	<u>(61,512)</u>	<u>11,806,400</u>
Governmental Activities Capital Assets, Net	<u>\$12,188,016</u>	<u>(\$96,014)</u>	<u>(\$61,512)</u>	<u>\$12,030,490</u>

Northridge Local School District
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$165,906
Special	30,438
Vocational	13,910
Support Services:	
Pupil	17,016
Instructional Staff	17,676
Administration	25,292
Fiscal	6,767
Operation and Maintenance of Plant	25,777
Pupil Transportation	895
Extracurricular	27,555
Food Service Operations	40,223
Total Depreciation Expense	<u><u>\$ 371,455</u></u>

Note 12 - Risk Management

During fiscal year 2011, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool, for insurance coverage (See Note 20). Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. Coverage provided by Ohio School Plan is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$32,248,000
Educational General Liability:	
Bodily Injury and Property Damage – Each Occurrence and Sexual Abuse Injury Limit – Each Sexual Abuse Offense	3,000,000
Personal and Advertising Injury – Each Offense Limit	3,000,000
Fire Damage – Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Each Accident Limit	10,000
General Aggregate Limit	5,000,000
Products-Completed Operations Aggregate Limit	3,000,000
Employers Liability – Stop Gap – Occurrence:	
Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000
Employee Benefits Liability – Claims Made:	
Each Offense Limit	3,000,000
Aggregate Limit	5,000,000
Educational Legal Liability:	
Errors and Omissions Injury Limit (\$2,500 Deductible)	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000
Employment Practices Injury Limit (\$2,500 Deductible)	3,000,000
Employment Practices Injury Aggregate Limit	5,000,000

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Automobile Liability (\$1,000 Comprehensive/\$1,000 collision):	
Auto Liability-Combined Single Limit	3,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000
Commercial Crime:	
Employee Theft – Per Employee (\$1,000 Deductible)	100,000
Forgery or Altercation – Per Occurrence (\$1,000 Deductible)	100,000
Inside/ Outside the Premises – Theft (\$1,000 Deductible)	25,000

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

For fiscal year 2011, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). 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 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$190,660, \$262,694 and \$205,512, respectively. For fiscal year 2011, 55.97 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Northridge Local School District
Notes to the Basic Financial Statements
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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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$646,933 and \$17,726 for the fiscal year ended June 30, 2011, \$627,813 and \$22,555 for the fiscal year ended June 30, 2010, and \$661,384 for the DB Plan for the fiscal year ended June 30, 2009. The Combined Plan information for the fiscal year ended June 30, 2009, was unavailable. For fiscal year 2011, 81.88 percent has been contributed for the DB plan and 81.88 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2011 were \$21,098 made by the School District and \$15,070 made by the plan members. In addition, member contributions of \$12,662 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Northridge Local School District
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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, 2011, there were no members of the Board of Education that elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$26,671 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$54,486, \$15,602, and \$114,975, respectively. For fiscal year 2011, 37.59 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, 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, 2011, 2010, and 2009, were \$12,703, \$14,427, and \$17,127 respectively. For fiscal year 2011, 57.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$49,764, \$50,975, and \$49,794 respectively. For fiscal year 2011, 81.88 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 15 - 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 \$959.22 for family coverage and \$393.10 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 \$63.27 for family and \$21.82 for single employees. The School District provides vision insurance through Ameritas Group. The School District pays \$11.76 per month for family and \$5.18 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, 2011

Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/2010	Additions	Deductions	Principal Outstanding 6/30/2011	Due Within One Year
Classroom Facilities Refunding General					
Improvement Serial Bonds - 4.50% - 5.00%	\$5,080,000	\$0	\$450,000	\$4,630,000	\$475,000
Bond Premium	229,766	0	27,031	202,735	0
Deferred Amount on Refunding	(148,946)	0	(17,523)	(131,423)	0
School Energy Conservation Improvement					
General Obligation Bonds - 4.25% - 4.75%	770,000	0	60,000	710,000	65,000
Bond Premium	12,850	0	1,353	11,497	0
Total Long-Term Bonds	5,943,670	0	520,861	5,422,809	540,000
Capital Leases	84,690	164,706	99,846	149,550	30,011
Compensated Absences	679,682	68,156	97,669	650,169	101,544
Termination Benefits Payable	224,431	0	96,539	127,892	49,760
Total General Long-Term Obligations	\$6,932,473	\$232,862	\$814,915	\$6,350,420	\$721,315

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.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Principal and interest requirements to retire the classroom facilities improvement refunding bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	590,000	111,200	701,200
2017-2019	1,975,000	150,844	2,125,844
Total	<u>\$4,630,000</u>	<u>\$965,839</u>	<u>\$5,595,839</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 percent to 4.75 percent. 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, 2011, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	80,000	18,526	98,526
2017-2020	350,000	34,439	384,439
Total	<u>\$710,000</u>	<u>\$161,198</u>	<u>\$871,198</u>

The School District's overall legal debt margin was \$15,867,853, with an unvoted debt margin of \$227,754 at June 30, 2011.

Capital Leases Payable

Capital leases will be paid from the general fund. In fiscal year 2011, the School District traded-in assets obtained through a prior capital lease and the outstanding principal amount of \$68,593 for the leased copiers that were traded-in was forgiven and is reflected as a reduction of capital leases payable.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Compensated Absences Payable

Compensated absences will be repaid from the general fund and food service special revenue funds.

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 2nd 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 2011, there were no teachers that agreed to participate in this plan.

Note 17 - Interfund Transactions

Interfund balances at June 30, 2011, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
Governmental Funds:		
General Fund	\$32,240	\$0
Other Nonmajor Governmental Funds:		
Race to the Top Grant	0	835
Title I	0	10,442
Title VI-B	0	19,622
Class Size Reduction	0	1,341
Total All Funds	\$32,240	\$32,240

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.

Interfund transfers during 2011, consisted of the general fund transferring \$51,850 the EMIS Special Revenue Fund, \$3,125 to the Title VI-B Special Revenue Fund, \$9,262 to the Education Stabilization Special Revenue Fund, \$10 to the Title II-D Special Revenue Fund, \$3,135 to the Title I Special Revenue Fund, \$709 to the Safe and Drug Free Special Revenue Fund, and \$3 to the Title II-A Special Revenue Fund. These transfers were made for the purpose of paying expenses out of the fund from which it was required to be paid.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 18 - 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 2011 were \$85,624. 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.

B. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 195 members which includes Educational Service Centers, joint vocational schools, educational service centers, and libraries covering 58 counties in 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 2011 were \$65,454 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

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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. C-TEC made no payments to SSTR11 during fiscal year 2011.

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 57 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 2011, the Board consisted of sixteen members. In fiscal year 2011, the School District paid \$432 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 19 - 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 20 - Insurance Purchasing Pools

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.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Ohio School Plan (OSP)

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 21 - 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.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2010	(\$686,136)	\$0
Current year set-aside requirement	208,765	208,765
Current year offsets	0	(175,469)
Qualifying Disbursements	<u>(268,808)</u>	<u>(97,845)</u>
Totals	<u>(\$746,179)</u>	<u>(\$64,549)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$746,179)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2011	<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.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 22 - Contingencies

A. Grants

The School District received 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 are 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, 2011.

B. Litigation

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

Note 23 - 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 School District traded-in assets obtained through a capital lease within the current year. The outstanding principal amount of \$68,593 for the leased copiers that were traded-in was forgiven and is reflected as a reduction of capital leases payable during the current fiscal year.

The agreement provides for minimum annual lease payments as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$30,011	\$7,740
2013	31,765	5,986
2014	33,622	4,129
2015	35,586	2,164
2016	<u>18,566</u>	<u>310</u>
Total	<u>\$149,550</u>	<u>\$20,329</u>

The HVAC computer equipment was originally capitalized in the amount of \$66,000 and the copiers were originally capitalized in the amount of \$164,706. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2011 totaled \$31,253 in the governmental funds. The equipment has been capitalized in the amount of \$230,706, the present value of the minimum lease payments at the inception of the lease. There was accumulated depreciation of \$49,389 as of June 30, 2011, therefore, leaving a remaining book value of \$181,317.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 24 - 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 2011 totaled \$123,288 and is reflected in regular instruction in the governmental funds.

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2012	\$123,288
2013	<u>10,274</u>
Total	<u><u>\$133,562</u></u>

Note 25 - 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 2011.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR		Federal				
<i>Pass-Through Grantor</i>	Grant	CFDA		Non-Cash		Non-Cash
Program or Cluster Title	Year(s)	Number	Receipts	Receipts	Expenditures	Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	2011	10.553	\$ 11,243	\$ -	\$ 11,243	\$ -
National School Lunch Program	2011	10.555	120,519	20,583	120,519	20,583
Total U.S. Department of Agriculture - Nutrition Cluster			<u>131,762</u>	<u>20,583</u>	<u>131,762</u>	<u>20,583</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Cluster						
Title I Grants to Local Educational Agencies	2010/2011	84.010	152,536	-	157,478	-
ARRA- Title I Grants to Local Educational Agencies	2010/2011	84.389	24,957	-	38,863	-
Total Title I Cluster			<u>177,493</u>	<u>-</u>	<u>196,341</u>	<u>-</u>
Special Education Cluster						
Special Education Grants to States	2010/2011	84.027	311,452	-	258,315	-
ARRA- Special Education Grants to States	2010/2011	84.391	111,353	-	133,748	-
Total Special Education Cluster			<u>422,805</u>	<u>-</u>	<u>392,063</u>	<u>-</u>
Safe and Drug-Free Schools and Communities	2010/2011	84.186	116	-	899	-
Education Technology State Grants	2010/2011	84.318	471	-	1,722	-
Improving Teacher Quality	2010/2011	84.367	27,549	-	29,590	-
ARRA- State Fiscal Stabilization Fund- Education State Grants	2011	84.394	358,249	-	358,279	-
Race to the Top	2011	84.395	8,483	-	9,293	-
Total U.S. Department of Education			<u>995,166</u>	<u>-</u>	<u>988,187</u>	<u>-</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,126,928</u>	<u>\$ 20,583</u>	<u>\$ 1,119,949</u>	<u>\$ 20,583</u>

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, 2011**

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 30th and spent by September 30th). 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 2011, the Ohio Department of Education (ODE) authorized the following transfers:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Title I	84.010	2010/2011	14,050	14,050
Title II-A	84.367	2010/2011	1,441	1,441
Title II-D	84.318	2010/2011	76	76
Title IV-A	84.186	2010/2011	709	709
IDEA-B	84.027	2010/2011	26,847	26,847
Title I -ARRA	84.389	2010/2011	38,657	38,657
IDEA-B- ARRA	84.391	2010/2011	<u>129,752</u>	<u>129,752</u>
			<u>211,532</u>	<u>211,532</u>

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY 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 Northridge Local School District, Licking County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2011, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *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.

Compliance and Other Matters

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

Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
November 28, 2011

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

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

To the Board of Education:

Compliance

We have audited the compliance of Northridge Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over 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.

Independent Accountants' Report on Compliance
With Requirements Applicable to Each Major
Federal Program and on internal Control Over
Compliance Required by OMB Circular A-133
Page 2

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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 28, 2011.

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

A handwritten signature in cursive script that reads "Kennedy Cottrell Richards LLC".

Kennedy Cottrell Richards LLC
November 28, 2011

**NORTHRIDGE LOCAL SCHOOL DISTRICT.
LICKING COUNTY**

SCHEDULE OF FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS
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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):	Special Education Cluster CFDA: 84.027 ARRA CFDA: 84.391 ARRA-State Fiscal Stabilization Fund- Education State Grants CFDA: 84.394
(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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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



Kennedy Cottrell Richards LLC
November 28, 2011



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
JANUARY 17, 2012**