



Dave Yost • Auditor of State

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northridge Local School District
Licking County
6097 Johnstown-Utica Road
Johnstown, Ohio 43031

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Licking County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

www.ohioauditor.gov

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

January 22, 2014

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2013 are as follows:

- Net position of governmental activities increased \$2,266,552.
- General revenues accounted for \$12,261,970 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$2,119,215, 15 percent of total revenues of \$14,381,185.
- Total assets of governmental activities increased \$1,343,084.
- The School District had \$12,114,633, in expenses related to governmental activities; only \$2,119,215 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues and program revenues in the amount of \$14,381,185 were adequate to provide for these programs.
- The School District's major fund was the General Fund. The General Fund had \$12,585,694 in revenues, \$10,466,414 in expenditures, and \$2,000 in other financing sources. The General Fund's balance increased \$2,121,280.

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 Position 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
LICKING COUNTY**

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

Reporting the School District as a Whole

Statement of Net Position 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 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, 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 Position 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 fund 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 multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1 - Net Position

| | <u>Governmental Activities</u> | | |
|---|--------------------------------|----------------------------|---------------------------|
| | <u>2013</u> | <u>2012</u> | <u>Change</u> |
| Assets | | | |
| Current and Other Assets | \$16,688,697 | \$15,016,531 | \$1,672,166 |
| Capital Assets | 11,854,787 | 12,183,869 | (329,082) |
| Total Assets | <u>28,543,484</u> | <u>27,200,400</u> | <u>1,343,084</u> |
| Deferred Outflows of Resources | | | |
| Deferred Charge on Refunding | 96,377 | 113,900 | (17,523) |
| Liabilities | | | |
| Long-Term Liabilities | 5,175,290 | 5,879,576 | (704,286) |
| Other Liabilities | 1,111,075 | 1,303,782 | (192,707) |
| Total Liabilities | <u>6,286,365</u> | <u>7,183,358</u> | <u>(896,993)</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes not Levied to Finance Current Year Operations | 6,337,498 | 6,381,496 | (43,998) |
| Net Position | | | |
| Net Investment in Capital Assets | 7,487,447 | 7,272,053 | 215,394 |
| Restricted | 962,075 | 1,093,545 | (131,470) |
| Unrestricted | 7,566,476 | 5,383,848 | 2,182,628 |
| Total Net Position | <u><u>\$16,015,998</u></u> | <u><u>\$13,749,446</u></u> | <u><u>\$2,266,552</u></u> |

Total assets increased \$1,343,084. The majority of this increase was due to an increase in cash and cash equivalents in the amount of \$1,968,914. This increase was offset by a decrease in capital assets in the amount of \$329,082 and a decrease in intergovernmental receivable in the amount of \$236,362. 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 capital assets decrease was due mainly to depreciation, which was offset by current year additions. The decrease in intergovernmental receivables is due to an overall decrease in federal grant funding.

The decrease in other liabilities in the amount of \$192,707 was due mainly to a decrease in intergovernmental payables in the amount of \$83,648 and a decrease in accrued wages and benefits in the amount of \$62,174 due a decrease of three staff members from fiscal year 2012 to fiscal year 2013. Long-term liabilities decreased \$704,286 primarily due to the payment of \$500,000 on the Classroom Facilities Refunding General Improvement Serial Bond, \$70,000 on the School Energy Conservation Improvement General Obligation Bond, and principal payments in the amount of \$31,916 for the HVAC computer equipment and copiers capital leases. Termination benefits payable and compensated absences reflect decreases of \$39,299 and \$34,687, respectively, due to the retirement of staff.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013 and comparisons to fiscal year 2012.

Table 2 - Changes in Net Position

| | Governmental Activities | | |
|--|-------------------------|---------------------|--------------------|
| | 2013 | 2012 | Change |
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services | \$1,262,966 | \$1,149,986 | \$112,980 |
| Operating Grants and Contributions | 856,249 | 950,413 | (94,164) |
| Total Program Revenues | <u>2,119,215</u> | <u>2,100,399</u> | <u>18,816</u> |
| General Revenues: | | | |
| Property Taxes | 7,059,422 | 6,808,231 | 251,191 |
| Income Taxes | 106,857 | 204,891 | (98,034) |
| Gain on Sale of Capital Asset | 2,142 | 0 | 2,142 |
| Grants and Entitlements | 5,053,204 | 5,000,023 | 53,181 |
| Investment Earnings | 4,368 | 8,451 | (4,083) |
| Miscellaneous | 35,977 | 6,351 | 29,626 |
| Total General Revenues | <u>12,261,970</u> | <u>12,027,947</u> | <u>234,023</u> |
| Total Revenues | <u>14,381,185</u> | <u>14,128,346</u> | <u>252,839</u> |
| Program Expenses | | | |
| Instruction | | | |
| Regular | 5,094,220 | 5,463,183 | (368,963) |
| Special | 1,117,424 | 1,077,752 | 39,672 |
| Vocational | 11,212 | 29,165 | (17,953) |
| Student Intervention Services | 19,095 | 10,241 | 8,854 |
| Support Services | | | |
| Pupil | 406,019 | 397,318 | 8,701 |
| Instructional Staff | 524,726 | 557,033 | (32,307) |
| Board of Education | 90,011 | 48,900 | 41,111 |
| Administration | 998,678 | 858,046 | 140,632 |
| Fiscal | 416,384 | 399,595 | 16,789 |
| Operation and Maintenance of Plant | 1,019,719 | 1,051,938 | (32,219) |
| Pupil Transportation | 1,346,267 | 1,589,866 | (243,599) |
| Central | 135,329 | 124,059 | 11,270 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 419,956 | 409,527 | 10,429 |
| Community Services | 385 | 0 | 385 |
| Extracurricular Activities | 237,841 | 262,252 | (24,411) |
| Interest and Fiscal Charges | 277,367 | 249,287 | 28,080 |
| Total Program Expenses | <u>12,114,633</u> | <u>12,528,162</u> | <u>(413,529)</u> |
| <i>Change in Net Position</i> | 2,266,552 | 1,600,184 | 666,368 |
| Net Position Beginning of Year | <u>13,749,446</u> | <u>12,149,262</u> | <u>1,600,184</u> |
| Net Position End of Year | <u>\$16,015,998</u> | <u>\$13,749,446</u> | <u>\$2,266,552</u> |

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Net position increased by \$2,266,552 in fiscal year 2013. Revenues reflect an increase of \$252,839 due primarily to an increase in property taxes in the amount of \$251,191 and an increase in charges for services in the amount of \$112,980. The increase in property tax revenues was due to an increase in the amount of delinquent taxes that was received during fiscal year 2013 compared to fiscal year 2012. The increase in charges for services was due to an increase in open enrollment revenue and tuition adjustments received through the State foundation. These increases were offset by decreases in income taxes and operating grants and contributions. Income taxes decreased \$98,034 due to the expiration of the income taxes levy as of December 31, 2010. The income tax monies being received currently by the School District are delinquent amounts, thus collections will soon be coming to an end. Operating grants and contributions and grants decreased \$94,164 due to a decrease in State and federal funding. Program expenses decreased \$413,529 due mainly to a \$338,390 decrease in total instruction expenses, a decrease of \$89,622 in total support services expenses, and a decrease in extracurricular activities of \$24,111. The decreases were offset by a \$10,814 increase in total non-instructional services expenses and an increase in interest and fiscal charges in the amount of \$28,080, which is a result of the School District's ongoing measures to monitor spending.

Instruction comprises approximately 52 percent of governmental program expenses and support services make up approximately 41 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 decrease as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 49 percent of revenues for governmental activities for the School District in fiscal year 2013.

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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Table 3 - Governmental Activities

| | 2013 Total Cost of Services | 2013 Net Cost of Services | 2012 Total Cost of Services | 2012 Net Cost of Services |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Instruction: | | | | |
| Regular | \$5,094,220 | \$4,346,896 | \$5,463,183 | \$4,706,961 |
| Special | 1,117,424 | 654,313 | 1,077,752 | 678,783 |
| Vocational | 11,212 | (18,332) | 29,165 | (379) |
| Student Intervention Services | 19,095 | 19,095 | 10,241 | 10,241 |
| Support Services: | | | | |
| Pupil | 406,019 | 397,735 | 397,318 | 318,928 |
| Instructional Staff | 524,726 | 474,685 | 557,033 | 500,730 |
| Board of Education | 90,011 | 90,011 | 48,900 | 48,900 |
| Administration | 998,678 | 910,930 | 858,046 | 803,648 |
| Fiscal | 416,384 | 339,268 | 399,595 | 312,986 |
| Operation and Maintenance of Plant | 1,019,719 | 893,868 | 1,051,938 | 977,614 |
| Pupil Transportation | 1,346,267 | 1,346,267 | 1,589,866 | 1,589,866 |
| Central | 135,329 | 128,129 | 124,059 | 116,859 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 419,956 | 86,801 | 409,527 | 57,996 |
| Community Services | 385 | 118 | 0 | 0 |
| Extracurricular Activities | 237,841 | 48,267 | 262,252 | 55,343 |
| Interest and Fiscal Charges | 277,367 | 277,367 | 249,287 | 249,287 |
| Totals | \$12,114,633 | \$9,995,418 | \$12,528,162 | \$10,427,763 |

Table 3 clearly shows the dependence upon tax revenues and State subsidies for governmental activities. For 2013, only 17 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants and contributions. The remaining 83 percent is provided through taxes and entitlements.

The School District's Major 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 \$12,585,694, expenditures of \$10,466,414, and other financing sources in the amount of \$2,000 which resulted in an increase in fund balance of \$2,121,280. The School District has continued to strive to be fiscally prudent due to the current economic situation in school funding in Ohio. In addition, the School District is closely monitoring the General Fund cash basis fund balance.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

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 year 2013, 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 \$12,398,316. The original budget estimates were increased to a final budget amount of \$12,479,452 for the fiscal year. Actual revenues were \$94,125 below final budgeted estimates, primarily due to receiving less local intergovernmental monies than expected.

Original appropriations were \$11,311,019. The appropriations were decreased to the final budget of \$10,777,371. Actual expenditures were under appropriations by \$56,038 due to the School District monitoring their spending during fiscal year 2013.

The School District's ending unobligated fund balance was \$7,876,518 which improved from the beginning balance of \$6,116,640.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$11,854,787 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2013 balances compared to 2012.

**Table 4 - Capital Assets at June 30, 2013
(Net of Depreciation)**

| | <u>Governmental Activities</u> | |
|----------------------------|--------------------------------|----------------------------|
| | <u>2013</u> | <u>2012</u> |
| Land | \$224,090 | \$224,090 |
| Land Improvements | 492,851 | 529,332 |
| Buildings and Improvements | 9,840,716 | 10,022,948 |
| Furniture and Equipment | 1,265,360 | 1,403,316 |
| Vehicles | 31,770 | 4,183 |
| Totals | <u>\$11,854,787</u> | <u>\$12,183,869</u> |

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Debt

At June 30, 2013, the School District had \$4,472,508 in Classroom Facility Improvement Refunding Bonds, School Energy Conservation Improvement Bonds, and Capital Leases outstanding.

Table 5 - Outstanding Debt, at Fiscal Year End

| | Governmental Activities 2013 | Governmental Activities 2012 |
|--|------------------------------------|------------------------------------|
| Classroom Facility Improvement Refunding Bonds | \$3,655,000 | \$4,155,000 |
| Bond Premium | 148,673 | 175,704 |
| School Energy Conservation Improvement Bonds | 575,000 | 645,000 |
| Bond Premium | 8,791 | 10,144 |
| Capital Leases | 85,044 | 116,960 |
| Totals | \$4,472,508 | \$5,102,808 |

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

Economic Factors

During fiscal year 2013, the School District's net position increased by \$2,266,552. This was due mainly to the School District closely monitoring the financial activity. 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. As a result of increased financial stability of the School District, the Ohio Department of Education released the School District from fiscal caution during fiscal year 2013. 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 2015 and positive cash balances through fiscal year 2017.

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 Britt Lewis, Treasurer/CFO at Northridge Local School District, 6097 Johnstown-Utica Road, Johnstown, Ohio 43031. You may also e-mail the Treasurer at blewis@laca.org.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 9,047,502 |
| Cash and Cash Equivalents in Segregated Accounts | 2,057 |
| Materials and Supplies Inventory | 8,870 |
| Inventory Held for Resale | 15,216 |
| Intergovernmental Receivable | 142,612 |
| Accrued Interest Receivable | 109 |
| Income Taxes Receivable | 112,998 |
| Prepaid Items | 3,553 |
| Accounts Receivable | 24,453 |
| Property Taxes Receivable | 7,331,327 |
| Nondepreciable Capital Assets | 224,090 |
| Depreciable Capital Assets, Net | 11,630,697 |
| <i>Total Assets</i> | 28,543,484 |
| Deferred Outflows of Resources | |
| Deferred Charge on Refunding | 96,377 |
| Liabilities | |
| Accounts Payable | 57,026 |
| Accrued Wages and Benefits Payable | 685,013 |
| Matured Compensated Absences Payable | 71,882 |
| External Party Payable | 613 |
| Accrued Interest Payable | 16,174 |
| Intergovernmental Payable | 280,367 |
| Long-Term Liabilities: | |
| Due Within One Year | 808,757 |
| Due In More Than One Year | 4,366,533 |
| <i>Total Liabilities</i> | 6,286,365 |
| Deferred Inflows of Resources | |
| Property Taxes not Levied to Finance Current Year Operations | 6,337,498 |
| Net Position | |
| Net Investment in Capital Assets | 7,487,447 |
| Restricted for: | |
| Debt Service | 492,921 |
| Classroom Facilities Maintenance | 238,181 |
| District Managed Activities | 122,506 |
| Food Service | 47,550 |
| Title VI-B | 23,955 |
| Class Size Reduction | 16,610 |
| Title I | 8,212 |
| Race to the Top | 6,774 |
| Other Purposes | 5,366 |
| Unrestricted | 7,566,476 |
| <i>Total Net Position</i> | \$ 16,015,998 |

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$ 5,094,220 | \$ 716,790 | \$ 30,534 | \$ (4,346,896) |
| Special | 1,117,424 | - | 463,111 | (654,313) |
| Vocational | 11,212 | - | 29,544 | 18,332 |
| Student Intervention Services | 19,095 | - | - | (19,095) |
| Support Services: | | | | |
| Pupil | 406,019 | - | 8,284 | (397,735) |
| Instructional Staff | 524,726 | - | 50,041 | (474,685) |
| Board of Education | 90,011 | - | - | (90,011) |
| Administration | 998,678 | 80,275 | 7,473 | (910,930) |
| Fiscal | 416,384 | - | 77,116 | (339,268) |
| Operation and Maintenance of Plant | 1,019,719 | 56,931 | 68,920 | (893,868) |
| Pupil Transportation | 1,346,267 | - | - | (1,346,267) |
| Central | 135,329 | - | 7,200 | (128,129) |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 419,956 | 220,629 | 112,526 | (86,801) |
| Community Services | 385 | 267 | - | (118) |
| Extracurricular Activities | 237,841 | 188,074 | 1,500 | (48,267) |
| Interest and Fiscal Charges | 277,367 | - | - | (277,367) |
| Totals | \$ 12,114,633 | \$ 1,262,966 | \$ 856,249 | (9,995,418) |

General Revenues

Property Taxes Levied for:

| | |
|--|-----------|
| General Purposes | 6,364,553 |
| Debt Service | 611,658 |
| Classroom Facilities Maintenance | 83,211 |
| Income Taxes Levied for General Purposes | 106,857 |
| Gain on Sale of Capital Asset | 2,142 |
| Grants and Entitlements not Restricted to Specific Programs | 5,053,204 |
| Investment Earnings | 4,368 |
| Miscellaneous | 35,977 |

Total General Revenues 12,261,970

Change in Net Position 2,266,552

Net Position Beginning of Year 13,749,446

Net Position End of Year \$ 16,015,998

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

| | General | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 8,142,015 | \$ 905,487 | \$ 9,047,502 |
| Cash and Cash Equivalents in Segregated Accounts | - | 2,057 | 2,057 |
| Materials and Supplies Inventory | 7,934 | 936 | 8,870 |
| Inventory Held for Resale | 1,876 | 13,340 | 15,216 |
| Intergovernmental Receivable | 36,448 | 106,164 | 142,612 |
| Accrued Interest Receivable | 109 | - | 109 |
| Income Taxes Receivable | 112,998 | - | 112,998 |
| Prepaid Items | 3,553 | - | 3,553 |
| Accounts Receivable | 22,338 | 2,115 | 24,453 |
| Interfund Receivable | 6,723 | - | 6,723 |
| Property Taxes Receivable | 6,587,074 | 744,253 | 7,331,327 |
| <i>Total Assets</i> | <u>\$ 14,921,068</u> | <u>\$ 1,774,352</u> | <u>\$ 16,695,420</u> |
| Liabilities | | | |
| Accounts Payable | \$ 50,795 | \$ 6,231 | \$ 57,026 |
| Accrued Wages and Benefits Payable | 616,287 | 68,726 | 685,013 |
| Matured Compensated Absences Payable | 71,882 | - | 71,882 |
| Interfund Payable | - | 6,723 | 6,723 |
| External Party Payable | 613 | - | 613 |
| Intergovernmental Payable | 255,730 | 24,637 | 280,367 |
| <i>Total Liabilities</i> | <u>995,307</u> | <u>106,317</u> | <u>1,101,624</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes not Levied to Finance Current Year Operations | 5,667,996 | 669,502 | 6,337,498 |
| Unavailable Revenue | 339,509 | 118,539 | 458,048 |
| <i>Total Deferred Inflows of Resources</i> | <u>6,007,505</u> | <u>788,041</u> | <u>6,795,546</u> |
| Fund Balances | | | |
| Nonspendable | 11,487 | 936 | 12,423 |
| Restricted | - | 914,182 | 914,182 |
| Committed | 237,869 | - | 237,869 |
| Assigned | 51,634 | - | 51,634 |
| Unassigned | 7,617,266 | (35,124) | 7,582,142 |
| <i>Total Fund Balances</i> | <u>7,918,256</u> | <u>879,994</u> | <u>8,798,250</u> |
| <i>Total Liabilities , Deferred Inflows of Resources, and Fund Balances</i> | <u>\$ 14,921,068</u> | <u>\$ 1,774,352</u> | <u>\$ 16,695,420</u> |

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
JUNE 30, 2013**

| | | |
|--|-------------|--|
| Total Governmental Fund Balances | | \$ 8,798,250 |
| <i>Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</i> | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 11,854,787 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources: unavailable revenue in the funds: | | |
| Property Taxes Receivable | 345,678 | |
| Income Taxes Receivable | 218 | |
| Intergovernmental Receivable | 89,939 | |
| Extracurricular Activities | 1,057 | |
| Gifts and Donations | 120 | |
| Miscellaneous | 4,462 | |
| Student Fees | 16,574 | 458,048 |
| Deferred outflows of resources represent deferred charges on refundings which are not reported in the funds. | | 96,377 |
| Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accrual that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. | | (16,174) |
| Some liabilities are not due and payable in the current period and, therefore, not reported in the funds: | | |
| Bonds Payable | (4,230,000) | |
| Bond Premium | (157,464) | |
| Capital Leases Payable | (85,044) | |
| Compensated Absences | (536,900) | |
| Termination Benefits Payable | (165,882) | (5,175,290) |
| <i>Net Position of Governmental Activities</i> | | <u><u>\$ 16,015,998</u></u> |

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property Taxes | \$ 6,390,579 | \$ 706,892 | \$ 7,097,471 |
| Income Taxes | 111,109 | - | 111,109 |
| Intergovernmental | 5,200,754 | 722,550 | 5,923,304 |
| Investment Earnings | 4,368 | 50 | 4,418 |
| Tuition and Fees | 709,461 | - | 709,461 |
| Extracurricular Activities | 81,112 | 186,447 | 267,559 |
| Rentals | 56,931 | - | 56,931 |
| Charges for Services | - | 220,629 | 220,629 |
| Contributions and Donations | 1,080 | 2,000 | 3,080 |
| Miscellaneous | 30,300 | 1,215 | 31,515 |
| <i>Total Revenues</i> | <u>12,585,694</u> | <u>1,839,783</u> | <u>14,425,477</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 4,983,662 | 36,057 | 5,019,719 |
| Special | 735,549 | 356,939 | 1,092,488 |
| Vocational | 16,217 | - | 16,217 |
| Student Intervention Services | 19,095 | - | 19,095 |
| Support Services: | | | |
| Pupils | 384,057 | 8,705 | 392,762 |
| Instructional Staff | 445,842 | 44,143 | 489,985 |
| Board of Education | 90,011 | - | 90,011 |
| Administration | 941,587 | - | 941,587 |
| Fiscal | 393,141 | 9,883 | 403,024 |
| Operation and Maintenance of Plant | 938,098 | 102,363 | 1,040,461 |
| Pupil Transportation | 1,343,197 | - | 1,343,197 |
| Central | 128,129 | 7,200 | 135,329 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | - | 384,762 | 384,762 |
| Community Services | 385 | - | 385 |
| Extracurricular Activities | 9,693 | 205,463 | 215,156 |
| Debt Service: | | | |
| Principal Retirement | 31,916 | 570,000 | 601,916 |
| Interest and Fiscal Charges | 5,835 | 217,576 | 223,411 |
| <i>Total Expenditures</i> | <u>10,466,414</u> | <u>1,943,091</u> | <u>12,409,505</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>2,119,280</u> | <u>(103,308)</u> | <u>2,015,972</u> |
| Other Financing Sources | | | |
| Proceeds from Sale of Capital Assets | 2,000 | 2,150 | 4,150 |
| <i>Net Change in Fund Balances</i> | 2,121,280 | (101,158) | 2,020,122 |
| <i>Fund Balances Beginning of Year</i> | 5,796,976 | 981,152 | 6,778,128 |
| <i>Fund Balances End of Year</i> | <u>\$ 7,918,256</u> | <u>\$ 879,994</u> | <u>\$ 8,798,250</u> |

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ 2,020,122

Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

| | | |
|-------------------------|-----------|-----------|
| Capital Asset Additions | 63,875 | |
| Depreciation Expense | (390,949) | (327,074) |

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 proceeds and the gain on disposal of capital assets:

| | | |
|--------------------------------------|---------|---------|
| Gain on disposal of capital assets | 2,142 | |
| Proceeds from sale of capital assets | (4,150) | (2,008) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

| | | |
|----------------------------|----------|----------|
| Grants | (16,981) | |
| Student Fees | 7,329 | |
| Miscellaneous | 4,462 | |
| Extracurricular Activities | 1,057 | |
| Income Taxes | (4,252) | |
| Delinquent Taxes | (38,049) | (46,434) |

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

601,916

In the Statement of Activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.

(64,817)

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 | 34,687 | |
| Termination Benefits Payable | 39,299 | 73,986 |

The amortization of premiums are reported on the Statement of Activities:

28,384

Deferred outflows of resources represent the amortization of deferred charges on refunding which are not reported in the funds.

(17,523)

Change in Net Position of Governmental Activities

\$ 2,266,552

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$ 6,484,615 | \$ 6,295,284 | \$ 6,290,996 | \$ (4,288) |
| Income Tax | - | 110,111 | 110,111 | - |
| Intergovernmental | 5,155,501 | 5,291,024 | 5,200,754 | (90,270) |
| Investment Earnings | 8,635 | 4,012 | 4,367 | 355 |
| Tuition and Fees | 589,507 | 709,170 | 709,215 | 45 |
| Extracurricular Activities | 570 | 570 | 570 | - |
| Rentals | 50,000 | 60,390 | 60,390 | - |
| Contributions and Donations | 2,500 | 1,220 | 1,220 | - |
| Miscellaneous | 36,988 | 7,671 | 7,704 | 33 |
| <i>Total Revenues</i> | <u>12,328,316</u> | <u>12,479,452</u> | <u>12,385,327</u> | <u>(94,125)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,212,544 | 5,119,808 | 5,110,930 | 8,878 |
| Special | 733,272 | 726,314 | 726,314 | - |
| Vocational | 22,715 | 29,567 | 29,567 | - |
| Student Intervention Services | 46,152 | 19,095 | 19,095 | - |
| Other | 1,315 | 22,846 | 22,846 | - |
| Support Services: | | | | |
| Pupil | 463,246 | 379,079 | 379,079 | - |
| Instructional Staff | 404,330 | 455,447 | 455,447 | - |
| Board of Education | 88,566 | 85,597 | 85,596 | 1 |
| Administration | 1,016,321 | 861,636 | 861,636 | - |
| Fiscal | 432,627 | 399,957 | 395,669 | 4,288 |
| Operation and Maintenance of Plant | 1,047,582 | 958,966 | 958,965 | 1 |
| Pupil Transportation | 1,636,936 | 1,377,390 | 1,334,520 | 42,870 |
| Central | 74,616 | 90,648 | 90,648 | - |
| Extracurricular Activities | 130,797 | 13,152 | 13,152 | - |
| Capital Outlay | - | 237,869 | 237,869 | - |
| <i>Total Expenditures</i> | <u>11,311,019</u> | <u>10,777,371</u> | <u>10,721,333</u> | <u>56,038</u> |
| <i>Excess of Revenues Over Expenditures</i> | <u>1,017,297</u> | <u>1,702,081</u> | <u>1,663,994</u> | <u>(38,087)</u> |
| Other Financing Source | | | | |
| Advances In | 70,000 | - | - | - |
| <i>Total Other Financing Source</i> | <u>70,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net Change in Fund Balance</i> | 1,087,297 | 1,702,081 | 1,663,994 | (38,087) |
| <i>Fund Balance Beginning of Year</i> | 6,116,640 | 6,116,640 | 6,116,640 | - |
| Prior Year Encumbrances Appropriated | 95,884 | 95,884 | 95,884 | - |
| <i>Fund Balance End of Year</i> | <u>\$ 7,299,821</u> | <u>\$ 7,914,605</u> | <u>\$ 7,876,518</u> | <u>\$ (38,087)</u> |

See accompanying notes to the basic financial statements

**NORTHBRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2013**

| Assets | |
|---------------------------|-------------------------|
| Cash and Cash Equivalents | \$ 34,212 |
| External Party Receivable | <u>613</u> |
| <i>Total Assets</i> | <u><u>\$ 34,825</u></u> |
| | |
| Liabilities | |
| Due to Students | <u>\$ 34,825</u> |
| <i>Total Liabilities</i> | <u><u>\$ 34,825</u></u> |

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

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 41 classified employees, 72 certificated full-time teaching personnel, and 6 administrative employees who provide services to 1,358 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. During fiscal year 2013, the School District was released from "Fiscal Caution". 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
LICKING COUNTY**

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

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 more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The 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 has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and 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
LICKING COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are 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 Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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 reconciliations 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 inflow and outflow of resources, and in the presentation of expenses versus expenditures.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget is required under the Ohio Revised Code; however, this requirement is waived by the Licking County Budget Commission (Budget Commission). The Budget Commission accepts the School District's five year forecast in place of the tax budget. The 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 2013, 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, 2013.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$4,368, which includes \$394 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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, collectability.

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 Position, 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

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 Activity

Transfers within governmental activities are eliminated on the government-wide statements.

Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/ uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either eternally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. See Note 21 for additional information regarding set asides.

M. Compensated Absences

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Compensated Absences (Continued)

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.

N. 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, and capital leases are recognized as a liability on the governmental fund financial statements when due.

O. Bond Premiums

On 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. On the governmental fund statements, bond premiums are recorded in the year the bonds are issued.

P. Deferred Charge on Refunding

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

Q. 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, prepaids, 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Q. Fund Balance (Continued)

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by State constitution or external resource providers. 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 or enabling legislation (School District Board of Education resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandates payment of resources (from external resources providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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. These amounts are assigned by the School District Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or by State statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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
LICKING COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

R. Net Position

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

S. 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 – Changes in Accounting Principles

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

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

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

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 3 – Changes in Accounting Principles (Continued)

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

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

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 fund and all other governmental funds are presented below:

| Fund Balances | General | Other Governmental Funds | Total |
|----------------------------------|---------------------------|--------------------------------|---------------------------|
| <u>Nonspendable:</u> | | | |
| Prepays | \$3,553 | \$0 | \$3,553 |
| Materials and Supplies Inventory | 7,934 | 936 | 8,870 |
| <i>Total Nonspendable</i> | <u>11,487</u> | <u>936</u> | <u>12,423</u> |
| <u>Restricted for:</u> | | | |
| Food Service Operations | 0 | 58,843 | 58,843 |
| Athletics and Music | 0 | 121,449 | 121,449 |
| Local Grant Expenditures | 0 | 5,366 | 5,366 |
| Debt Service Payments | 0 | 494,478 | 494,478 |
| Capital Improvements | 0 | 234,046 | 234,046 |
| <i>Total Restricted</i> | <u>0</u> | <u>914,182</u> | <u>914,182</u> |
| <u>Committed to:</u> | | | |
| Purchases on Order | 237,869 | 0 | 237,869 |
| <i>Total Committed</i> | <u>237,869</u> | <u>0</u> | <u>237,869</u> |
| <u>Assigned to:</u> | | | |
| Public School Support | 24,575 | 0 | 24,575 |
| Purchases on Order | 27,059 | 0 | 27,059 |
| <i>Total Assigned</i> | <u>51,634</u> | <u>0</u> | <u>51,634</u> |
| Unassigned: | 7,617,266 | (35,124) | 7,582,142 |
| <i>Total Fund Balances</i> | <u><u>\$7,918,256</u></u> | <u><u>\$879,994</u></u> | <u><u>\$8,798,250</u></u> |

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 5 – Accountability

The following funds had deficit fund balances as of June 30, 2013:

| <u>Special Revenue Funds:</u> | <u>Deficit Fund Balances</u> |
|-------------------------------|------------------------------|
| Title I | (\$17,641) |
| Title VI-B | (14,295) |
| Race to the Top | (1,586) |
| Class Size Reduction | (866) |
| Miscellaneous Federal Grants | (736) |

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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Unrecorded cash and prepaid items are reported on the "Statement of Revenues, Expenditures, and Changes in Fund Balance (GAAP Basis), but not on budgetary basis."
5. Budgetary revenues and expenditures of the Public School Support Fund, School Store Fund, and the EMIS 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:

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 6 - Budgetary Basis of Accounting (Continued)

| Net Change in Fund Balance | |
|---|---------------------------|
| GAAP Basis | \$2,121,280 |
| Net Adjustment for Revenue Accruals | (123,239) |
| Net Adjustment for Expenditure Accruals | (97,029) |
| Beginning: | |
| Prepaid Items | 2,686 |
| Ending: | |
| Unreported cash | 2,042 |
| Prepaid Items | (3,553) |
| To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types | 32,365 |
| Adjustment for Encumbrances | <u>(270,558)</u> |
| Budget Basis | <u><u>\$1,663,994</u></u> |

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 7 - Deposits and Investments (Continued)

3. Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
4. Written repurchase agreements in the securities listed above;
5. Bonds and other obligations of the State of Ohio;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
8. The State Treasurer's investment pool (STAR Ohio); and
9. 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 \$103,113 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, 2013, the School District had the following investments.

| | Fair Value | Average Maturity | Percent of Total Investments |
|----------------------|--------------------|------------------|------------------------------|
| Repurchase Agreement | \$8,888,020 | 1 Day | 96.95% |
| STAROhio | 279,418 | 57.5 Days | 3.05% |
| Total | \$9,167,438 | | |

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 7 - Deposits and Investments (Continued)

Interest Rate Risk

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

Credit Risk

STAR Ohio carries a rating of AAAM, while the underlying securities of the repurchase agreement carry a rating of AAF 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from 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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 8 - Property Taxes (Continued)

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were 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 inflow of resources for property taxes.

The amount available as an advance at June 30, 2013, was \$648,151, \$600,943 was available to the General Fund, \$7,615 was available to the Classroom Facilities Maintenance Special Revenue Fund, and \$39,593 was available to the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2012, was \$558,504, \$501,360 was available to the General Fund, \$6,477 was available to the Classroom Facilities Maintenance Special Revenue Fund, and \$50,667 was available to the Bond Retirement Debt Service Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflow of resources – unavailable revenue.

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

| | 2012 Second Half Collections | | 2013 First Half Collections | |
|---|---------------------------------|---------|--------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$225,255,930 | 93.98% | \$225,361,650 | 93.91% |
| Public Utility Personal | 14,427,160 | 6.02% | 14,613,930 | 6.09% |
| | \$239,683,090 | 100.00% | \$239,975,580 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$44.91 | | \$44.07 | |

The decrease in the tax rates was due to an adjustment in the bond levy rates. Tax rates are adjusted according to amounts needed for debt service retirement.

Note 9 - Income Tax

The School District levied 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, 2013 for delinquent income tax revenue amounts that were provided by the Ohio Department of Taxation.

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

Note 10 - Receivables

Receivables at June 30, 2013 consist of property taxes, income taxes, accrued interest, 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 \$345,678 as of June 30, 2013.

A summary of the principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|--|-------------------------|
| Governmental Activities | |
| Johnstown Monroe LSD Fuel Reimbursement | \$13,128 |
| School Employees Retirement System Refund | 4,462 |
| Ohio Department of Taxation Fuel Tax Refunds | 850 |
| Workers' Compensation Refund | 17,369 |
| Medicaid Reimbursements | 1,854 |
| Race to the Top Grant | 9,784 |
| Title I | 33,153 |
| Title VI-B | 44,028 |
| Title II-A | <u>17,984</u> |
| Total | <u><u>\$142,612</u></u> |

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 11 – Capital Assets

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

| | Balance June 30, 2012 | Additions | Deletions | Balance June 30, 2013 |
|--|--------------------------|-------------|-----------|--------------------------|
| Nondepreciable Capital Assets | | | | |
| Land | \$224,090 | \$0 | \$0 | \$224,090 |
| Depreciable Capital Assets | | | | |
| Land Improvements | 1,051,613 | 0 | 0 | 1,051,613 |
| Buildings and Improvements | 13,602,617 | 6,320 | 0 | 13,608,937 |
| Furniture and Equipment | 3,077,073 | 24,320 | 0 | 3,101,393 |
| Vehicles | 16,876 | 33,235 | (16,876) | 33,235 |
| Total at Historical Cost | 17,748,179 | 63,875 | (16,876) | 17,795,178 |
| Less Accumulated Depreciation | | | | |
| Land Improvements | (522,281) | (36,481) | 0 | (558,762) |
| Buildings and Improvements | (3,579,669) | (188,552) | 0 | (3,768,221) |
| Furniture and Equipment | (1,673,757) | (162,276) | 0 | (1,836,033) |
| Vehicles | (12,693) | (3,640) | 14,868 | (1,465) |
| Total Accumulated Depreciation | (5,788,400) | (390,949) | 14,868 | (6,164,481) |
| Depreciable Capital Assets, Net of Accumulated Depreciation | 11,959,779 | (327,074) | (2,008) | 11,630,697 |
| Governmental Activities Capital Assets, Net | \$12,183,869 | (\$327,074) | (\$2,008) | \$11,854,787 |

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|------------|
| Instruction: | |
| Regular | \$169,691 |
| Special | 29,166 |
| Vocational | 617 |
| Support Services: | |
| Pupil | 13,257 |
| Instructional Staff | 35,150 |
| Administration | 31,072 |
| Fiscal | 8,340 |
| Operation and Maintenance of Plant | 31,077 |
| Pupil Transportation | 3,070 |
| Extracurricular | 22,685 |
| Food Service Operations | 46,824 |
| Total Depreciation Expense | \$ 390,949 |

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

Note 12 - Risk Management

During fiscal year 2013, 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) | \$32,680,970 |
| 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 |
| 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 |

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 2013, the School District participated in the Ohio School Boards Associations 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

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, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$203,376, \$193,037, and \$190,660, respectively. For fiscal year 2013, 70.91 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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.

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

Note 13 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

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

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

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$491,226 and \$18,479 for the fiscal year ended June 30, 2013, \$578,083 and \$17,767 for the fiscal year ended June 30, 2012, and \$646,933 and \$17,726 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83.31 percent has been contributed for the DB plan and 91.50 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 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$29,784 made by the School District and \$21,274 made by the plan members. In addition, member contributions of \$13,199 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

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, 2013, 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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 14 - Postemployment Benefits (Continued)

A. School Employees Retirement System (Continued)

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 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$23,478 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$27,563, \$25,308, and \$54,486, respectively. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$11,414, \$11,026, and \$12,703 respectively. For fiscal year 2013, 69.80 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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 2013, 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, 2013, 2012, and 2011, were \$41,499, \$44,468, and \$49,764 respectively. For fiscal year 2013, 83.31 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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

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. For fiscal year 2013, employees had two health insurance options to choose from. The two options include a health plan with a \$200 deductible and the option of establishing a Health Savings Account (HSA). For the health plan with a \$200 deductible, the School District pays medical and drug monthly premiums for staff of \$1,118.89 for family coverage and \$458.54 for single coverage. For the health plan that uses the HSA, the School District pays medical and drug monthly premiums for staff of \$854.10 for family coverage and \$350.03 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 \$68.96 for family and \$23.79 for single employees. The School District provides vision insurance through Ameritas Group. The School District pays \$13.36 per month for family and \$5.88 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.

Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

| | Principal Outstanding 6/30/2012 | Additions | Deductions | Principal Outstanding 6/30/2013 | Due Within One Year |
|--|---------------------------------------|------------------|---------------------|---------------------------------------|---------------------------|
| Classroom Facilities Refunding General Improvement Serial Bonds - 4.50% - 5.00% Bond Premium | \$4,155,000 175,704 | \$0 0 | \$500,000 27,031 | \$3,655,000 148,673 | \$530,000 0 |
| School Energy Conservation Improvement General Obligation Bonds - 4.25% - 4.75% Bond Premium | 645,000 10,144 | 0 0 | 70,000 1,353 | 575,000 8,791 | 70,000 0 |
| Total Long-Term Bonds | 4,985,848 | 0 | 598,384 | 4,387,464 | 600,000 |
| Capital Leases | 116,960 | 0 | 31,916 | 85,044 | 33,781 |
| Compensated Absences | 571,587 | 90,626 | 125,313 | 536,900 | 109,046 |
| Termination Benefits Payable | 205,181 | 30,000 | 69,299 | 165,882 | 65,930 |
| Total General Long-Term Obligations | \$5,879,576 | \$120,626 | \$824,912 | \$5,175,290 | \$808,757 |

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

Note 16 - Long-Term Obligations (Continued)

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. Issuance costs associated with the bond were \$113,607. 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 statements as deferred outflows of resources – deferred charge on refunding and is being amortized to interest expense over the life of the bonds using the straight-line method. The amount amortized for fiscal year 2013 was \$17,523.

Principal and interest requirements to retire the Classroom Facilities Improvement Refunding Bonds outstanding at June 30, 2013, are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|--------------------|------------------|--------------------|
| 2014 | \$530,000 | \$164,400 | \$694,400 |
| 2015 | 560,000 | 138,513 | 698,513 |
| 2016 | 590,000 | 111,200 | 701,200 |
| 2017 | 625,000 | 82,344 | 707,344 |
| 2018 | 655,000 | 51,125 | 706,125 |
| 2019 | 695,000 | 17,375 | 712,375 |
| Total | <u>\$3,655,000</u> | <u>\$564,957</u> | <u>\$4,219,957</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 percent.

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. Issuance costs associated with the bond were \$19,615.

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

Note 16 - Long-Term Obligations (Continued)

General Obligation Bonds (Continued)

Principal and interest requirements to retire the school energy conservation improvement bonds outstanding at June 30, 2013, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|------------------|------------------|------------------|
| 2014 | \$70,000 | \$25,563 | \$95,563 |
| 2015 | 75,000 | 22,207 | 97,207 |
| 2016 | 80,000 | 18,526 | 98,526 |
| 2017 | 80,000 | 14,726 | 94,726 |
| 2018 | 85,000 | 10,807 | 95,807 |
| 2019-2020 | 185,000 | 8,906 | 193,906 |
| Total | <u>\$575,000</u> | <u>\$100,735</u> | <u>\$675,735</u> |

All debt obligations are paid from the Debt Service Fund.

The School District's overall legal debt margin was \$17,942,802, with an unvoted debt margin of \$239,976 at June 30, 2013.

Capital Leases Payable

Capital leases will be paid from the General Fund.

Compensated Absences Payable

Compensated absences will be repaid from the General Fund and Food Service Special Revenue Fund.

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 of \$30,000 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 2013, there was one teacher that agreed to participate in this plan. Termination benefits will be repaid from the General Fund.

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

Note 17 - Interfund Transactions

Interfund balances at June 30, 2013, consist of the following individual fund receivables and payables:

| | Interfund Receivable | Interfund Payable |
|------------------------------------|-------------------------|----------------------|
| Governmental Funds: | | |
| General Fund | \$6,723 | \$0 |
| Other Nonmajor Governmental Funds: | | |
| Race to the Top Grant | 0 | 55 |
| Title I | 0 | 5,424 |
| Class Size Reduction | 0 | 508 |
| Miscellaneous Federal Grants | 0 | 736 |
| Total All Funds | \$6,723 | \$6,723 |

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.

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 approximately thirty entities within the boundaries of Licking, Fairfield, Perry, 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 or financial responsibility for the Association. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's payments to LACA for computer services for fiscal year 2013 were \$75,289. 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 266 members which includes Educational Service Centers, joint vocational schools, educational service centers, and libraries covering 59 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.

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

Note 18 - Jointly Governed Organizations (Continued)

B. Metropolitan Educational Council (Continued)

Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The Council exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. School District payments to MEC for fiscal year 2013 were \$549 for membership. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

C. Educational Regional Service System Region 11

The School District participates in the State Support Team Region 11 (SSTR11) a jointly governed organization operated by a Regional Advisory Council that is composed of entities within Delaware, Fairfield, Franklin, Licking, Madison, Pickaway, and Union counties. The purpose of SSTR11 is to provide professional development and technical assistance services to school districts, community schools, career centers, educational service centers, information technology centers, board of developmental disabilities, chartered nonpublic schools, and colleges and universities within the region by supporting State and district initiatives. The SSTR11 is governed by an advisory council, which is the advisory body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops recommendations to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the SSTR11, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. The SSTR11 is not dependent on the continued participation of the School District and the School District does not maintain any equity interest in or financial responsibility for the SSTR11. Financial information can be obtained from the State Support Team – Region 11, 2080 Citygate Drive, Columbus, Ohio 43219. Northridge made no payments to SSTR11 during fiscal year 2013.

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 56 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. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. In fiscal year 2013, the Board consisted of seventeen members. In fiscal year 2013, the School District paid \$707 for membership fees and registrations for seminars. Financial information may be obtained by contacting the School Study Council of Ohio at 5747 Perimeter Drive, Suite 100A, Dublin, Ohio 43017.

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

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.

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 School District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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 change in the fiscal year end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 21 - Set-Aside Calculations (Continued)

| | Capital Improvements Reserve |
|--|------------------------------------|
| Set-aside Reserve Balance as of June 30, 2012 | \$0 |
| Current Year Set-aside Requirement | 225,670 |
| Current Year Offsets | (181,141) |
| Qualifying Disbursements | (198,647) |
| Total | (\$154,118) |
| Set-aside Balance Carried Forward to Future Fiscal Years | \$0 |

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

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

B. Litigation

The School District is 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 which is defined as a lease which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

The agreement provides for minimum annual lease payments as follows:

| Fiscal Year Ending June 30, | Principal | Interest |
|-----------------------------|-----------|----------|
| 2014 | \$33,781 | \$3,970 |
| 2015 | 35,755 | 1,995 |
| 2016 | 15,508 | 221 |
| Total | \$85,044 | \$6,186 |

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Note 23 - Capitalized Leases (Continued)

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 2013 totaled \$31,916 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 \$125,891 as of June 30, 2013, therefore, leaving a remaining book value of \$104,815.

Note 24 – Significant Commitments

A. Encumbrances

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

| | |
|-----------------------------|-------------------|
| Governmental Funds: | |
| General Fund | \$ 270,558 |
| Nonmajor Governmental Funds | 242,580 |
| Total Governmental Funds | <u>\$ 513,138</u> |

B. Contractual Commitments

As of June 30, 2013, the School District had contractual purchase commitments for the following projects:

| Contractor | Fund | Purchase Commitments | Amounts Paid as of 06/30/2013 | Amounts Remaining on Contracts |
|-----------------------------|---|-------------------------|-------------------------------------|--------------------------------------|
| TREMCO | General/Classroom Facilities Maintenance | \$292,395 | \$0 | \$292,395 |
| MUSCO Sports Lighting, Inc. | General | <u>162,000</u> | <u>0</u> | <u>162,000</u> |
| | | <u>\$454,395</u> | <u>\$0</u> | <u>\$454,395</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 in 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 years 2011 and 2012. On May 20, 2013, the School District was removed from fiscal caution by the Ohio Department of Education.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Grant Year(s) | Federal CFDA Number | Receipts | Disbursements |
|--|------------------|---------------------------|-------------------|-------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | |
| Nutrition Cluster: | | | | |
| School Breakfast Program | 2013 | 10.553 | \$ 8,932 | \$ 8,932 |
| National School Lunch Program | 2013 | 10.555 | 107,489 | 107,489 |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | <u>116,421</u> | <u>116,421</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | |
| Title I Cluster | | | | |
| Title I Grants to Local Educational Agencies | 2013 | 84.010 | 102,542 | 108,560 |
| | 2012 | 84.010 | 80,208 | 13,879 |
| Total Title I Cluster | | | <u>182,750</u> | <u>122,439</u> |
| Special Education Cluster: | | | | |
| Special Education Grants to States | 2013 | 84.027 | 217,790 | 223,568 |
| | 2012 | 84.027 | 92,598 | 28,253 |
| Total Special Education Cluster | | | <u>310,388</u> | <u>251,821</u> |
| Education Technology State Grants | | | | |
| | 2013 | 84.318 | - | 992 |
| | 2012 | 84.318 | 49 | - |
| Total Education Technology State Grants | | | <u>49</u> | <u>992</u> |
| Improving Teacher Quality State Grants | | | | |
| | 2013 | 84.367 | 20,924 | 21,432 |
| | 2012 | 84.367 | 10,026 | 250 |
| Total Improving Teacher Quality State Grants | | | <u>30,950</u> | <u>21,682</u> |
| Education Jobs | | | | |
| | 2012 | 84.410 | 81,680 | 6 |
| ARRA - Race to the Top Incentive Grants | | | | |
| | 2013 | 84.395 | 21,298 | 22,549 |
| | 2012 | 84.395 | 13,984 | 3,074 |
| Total ARRA - Race to the Top Incentive Grants | | | <u>35,282</u> | <u>25,623</u> |
| Total U.S. Department of Education | | | <u>641,099</u> | <u>422,563</u> |
| Total Federal Awards Receipts and Expenditures | | | <u>\$ 757,520</u> | <u>\$ 538,984</u> |

The accompanying notes are an integral part of this schedule.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Northridge Local School District
Licking County
6097 Johnstown-Utica Road
Johnstown, Ohio 43031

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Licking County, Ohio (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 22, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

www.ohioauditor.gov

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

January 22, 2014



Dave Yost • Auditor of State

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

Northridge Local School District
Licking County
6097 Johnstown-Utica Road
Johnstown, Ohio 43031

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Northridge Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

www.ohioauditor.gov

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 22, 2014

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | <ul style="list-style-type: none"> • <u>Special Education Cluster:</u> - Special Education Grants to States CFDA #84.027 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | Yes |

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Northridge Local School District
Licking County
6097 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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Northridge Local School District (the District) has 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 had previously amended its anti-harassment policy at its meeting on November 15, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 22, 2014