



Dave Yost • Auditor of State

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northridge Local School District
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, Ohio (the School District), as of and for the year ended June 30, 2014, 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, Montgomery County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 Awards 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 March 23, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 23, 2015

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of Northridge Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In fiscal year 2014 the School District was in the third year of a memorandum agreement with the Northridge Teacher's Association and the Professional Guild of Ohio. Employees received a 1.95 percent increase to base salary along with step advancement increases. United Healthcare premiums increased 6.5 percent and Delta Dental premiums increased 3 percent.
- Fiscal year 2014 was the first year on a new state funding formula (SFPR). The new foundation formula providing a number of different components to meet the needs of different populations of students. Northridge Schools received over a 6.25 percent increase to State funding from the previous fiscal year. The largest increase was realized under the Economic Disadvantaged Funding component.
- The School District received approximately \$69,000 in final Medicaid settlements for fiscal year 2010 and 2011, as well as a refund from Worker's Comp in the amount of \$37,061.
- Due to increases in revenue as well as concentrated efforts at reducing expenditures, the School District was able to realize a \$951,082 increase in fund balance in the General Fund.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Northridge Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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

In the Statement of Net Position and the Statement of Activities, the School District only reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

Governmental Funds

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

Fiduciary Funds

The School District's only fiduciary funds are a private purpose trust fund and an agency fund. All of the School District's fiduciary activities are reported in a separate statement of fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal years 2014 and 2013:

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 1
Net Position
Governmental Activities**

| | 2014 | Restated 2013 | Change |
|--|---------------------|--------------------------|--------------------|
| Assets: | | | |
| Current and Other Assets | \$20,869,651 | \$20,623,107 | \$246,544 |
| Capital Assets | 10,968,801 | 11,235,307 | (266,506) |
| Total Assets | <u>31,838,452</u> | <u>31,858,414</u> | <u>(19,962)</u> |
| Deferred Outflows of Resources: | | | |
| Deferred Charge on Refunding | 349,504 | 376,738 | (27,234) |
| Liabilities: | | | |
| Other Liabilities | 1,839,757 | 1,681,799 | 157,958 |
| Long-Term Liabilities | 11,213,169 | 11,708,541 | (495,372) |
| Total Liabilities | <u>13,052,926</u> | <u>13,390,340</u> | <u>(337,414)</u> |
| Deferred Inflows of Resources: | | | |
| Property Taxes | 6,269,012 | 7,117,446 | (848,434) |
| Net Position: | | | |
| Net Investment in Capital Assets | 1,523,539 | 1,394,997 | 128,542 |
| Restricted | 4,040,465 | 3,572,841 | 467,624 |
| Unrestricted | 7,302,014 | 6,759,528 | 542,486 |
| Total Net Position | <u>\$12,866,018</u> | <u>\$11,727,366</u> | <u>\$1,138,652</u> |

Capital Assets decreased \$266,506. Most of this decrease is primarily due to depreciation exceeding current year additions. Current and Other Assets increased \$246,544, mainly due to increased State funding and additional delinquent taxes collected.

Total liabilities decreased \$337,414 from fiscal year 2013. The decrease was mainly the result of the School District making the required debt principal payments during the fiscal year. Other liabilities increased mainly due to an increase in accrued wages and benefits. Accrued wages and benefits increased due to increases in insurance premiums as well as an increase to base salary of 1.95 percent coupled with step advancement increases.

In total, net position increased \$1,138,652. Restricted net position increased \$467,624 mainly due payments being made on the QZAB.

Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased \$542,486. The increase is mainly due to an increase in State funding and additional refunds from BWC and Medicaid final settlements.

Table 2 shows the changes in net position for the fiscal years 2014 and 2013.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 2
Changes in Net Position**

| | 2014 | Restated 2013 | Change |
|--|---------------------|--------------------------|------------------|
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | \$1,838,973 | \$1,731,036 | \$107,937 |
| Operating Grants, Interest and Contributions | 3,449,277 | 3,510,620 | (61,343) |
| Capital Grants, Interest and Contributions | | 15 | (15) |
| Total Program Revenues | <u>5,288,250</u> | <u>5,241,671</u> | <u>46,579</u> |
| General Revenues: | | | |
| Property Taxes | 7,808,807 | 7,568,374 | 240,433 |
| Grants and Entitlements not Restricted to Specific Programs | 11,109,363 | 10,455,906 | 653,457 |
| Investment Earnings | 112,827 | 99,152 | 13,675 |
| Gifts and Donations | | 9,567 | (9,567) |
| Miscellaneous | 7,960 | 23,041 | (15,081) |
| Special Item | | 280,081 | (280,081) |
| Total General Revenues | <u>19,038,957</u> | <u>18,436,121</u> | <u>602,836</u> |
| Total Revenues | <u>24,327,207</u> | <u>23,677,792</u> | <u>649,415</u> |
| Program Expenses: | | | |
| Instruction: | | | |
| Regular | 9,518,617 | 9,178,893 | 339,724 |
| Special | 3,822,548 | 3,546,046 | 276,502 |
| Vocational | 3,423 | 2,820 | 603 |
| Student Intervention Services | 18,189 | 18,719 | (530) |
| Support Services: | | | |
| Pupils | 1,217,891 | 1,398,832 | (180,941) |
| Instructional Staff | 552,463 | 558,179 | (5,716) |
| Board of Education | 33,822 | 34,700 | (878) |
| Administration | 2,019,868 | 2,275,933 | (256,065) |
| Fiscal | 446,675 | 436,248 | 10,427 |
| Business | 47,482 | 206,756 | (159,274) |
| Operation and Maintenance of Plant | 1,990,150 | 1,762,748 | 227,402 |
| Pupil Transportation | 1,436,659 | 1,143,917 | 292,742 |
| Central | 152,531 | 56,068 | 96,463 |
| Operation of Non-Instructional Services | 1,038,800 | 1,063,968 | (25,168) |
| Extracurricular Activities | 726,950 | 840,414 | (113,464) |
| Interest and Fiscal Charges | 162,487 | 301,330 | (138,843) |
| Total Expenses | <u>23,188,555</u> | <u>22,825,571</u> | <u>362,984</u> |
| Change in Net Position | <u>1,138,652</u> | <u>852,221</u> | <u>\$286,431</u> |
| Net Position at Beginning of Year | <u>11,727,366</u> | <u>10,875,145</u> | |
| Net Position at End of Year | <u>\$12,866,018</u> | <u>\$11,727,366</u> | |

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Governmental Activities

In total, revenues increased \$649,415 and expenses increased \$362,984, resulting in an overall net increase of \$286,431.

Property taxes made up 32.1 percent of revenues for governmental activities for the School District during fiscal year 2014. The increase in property tax revenue of \$240,433 was mainly due to delinquent property tax "collections" increasing from fiscal year 2013 to 2014.

General Revenues increased \$602,836 from fiscal year 2013. The increase is due mainly to an increase in State funding and additional delinquent tax collections. Program Revenues increased an immaterial amount for fiscal year 2014.

Overall expenses increased \$362,984, or 1.6 percent from fiscal year 2013. This is mainly due to increases in wages and benefits.

The School District's Funds

The School District's only major fund is the General Fund and it is accounted for using the modified accrual basis of accounting. The General Fund accounts for 85.6 percent of total revenues and 84.2 percent of total expenditures. General Fund balance increased \$951,082 due to revenues exceeding expenditures for the year.

General Fund Budgeting Highlights

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

The Board of Education and the administration make dollars available to offer a comprehensive academic curriculum with a wide range of academic choices such as gifted education, vocational programs, and college preparatory classes. The School District also provides speech and language therapy, as well as psychological services and counseling. The School District offers opportunities for students to participate in a wide range of extracurricular activities. The School District's mission is "Educating Today for Tomorrow's Success." This goal is kept in mind at the time budgets are created and when final expenditures are made. This mission statement guides the School District in all phases of operation.

For the General Fund, the budget basis revenue and other financing sources increased \$316,461 from the original budgeted estimates. The change was mainly in intergovernmental revenue and tuitions and fees. Actual revenues matched final budget basis revenues.

During the course of fiscal year 2014, the School District amended its appropriations several times. Final appropriations were adopted by the Board of Education in June. Again, through close monitoring, the School District kept expenditures in check as actual expenditures were \$115,543 less than final budgeted amounts.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Capital Assets

Table 3 shows fiscal year 2014 balances compared to fiscal year 2013.

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

| | 2014 | Restated 2013 |
|----------------------------|---------------------|--------------------------|
| Land | \$1,569,249 | \$1,569,249 |
| Land Improvements | 915,343 | 758,665 |
| Buildings and Improvements | 7,624,258 | 8,150,148 |
| Furniture and Equipment | 514,396 | 519,064 |
| Vehicles | 345,555 | 238,181 |
| Totals | <u>\$10,968,801</u> | <u>\$11,235,307</u> |

Overall capital assets decreased \$266,506 from fiscal year 2013. The decrease is due to depreciation exceeding current year additions. For more information on capital assets, refer to Note 9 of the basic financial statements.

Debt Administration

At June 30, 2014, the School District had \$4,900,000 in bonds outstanding, as well as premium on bonds in the amount of \$394,766. \$370,000 represents the amount of debt principal payments made during fiscal year 2014 and \$380,000 represents the amount of debt principal due during fiscal year 2015. The School District also had capital leases payable at fiscal year-end of \$4,500,000.

During fiscal year 2004, the School District entered into a lease-purchase agreement with Chase Leasing Corporation for the financing of \$4,500,000 for building renovations. The School District makes annual interest payments to the lessor in the amount of \$30,600 and annual sinking fund payments to the escrow agent in the amount of \$229,555. On November 19, 2018, the \$4,500,000 principal is due, along with another \$30,600 in interest. For more information on debt administration, refer to Notes 14 and 15 of the basic financial statements.

Current Financial Issues and Concerns

The School District is proud of its community support of the public schools. The Board of Education and administration work together to provide a stable and safe environment for students to learn. The Board of Education recognizes the expectations of the community and has allocated the resources to meet these expectations.

The Northridge Local School District has committed itself to financial excellence for many years. The School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future and to provide the best educational opportunities to its children.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mary Hellyer Chasteen, Treasurer, at Northridge Local School District, 2011 Timber Lane, Dayton, Ohio 45414, or email at mhellyer@northridgeschools.org.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$7,965,585 |
| Cash and Cash Equivalents in Segregated Accounts | 2,000 |
| Intergovernmental Receivable | 372,806 |
| Accounts Receivable | 2,653 |
| Materials and Supplies Inventory | 10,572 |
| Inventory Held for Resale | 8,336 |
| Property Taxes Receivable | 9,684,073 |
| Investments with Escrow Agents | 2,823,626 |
| Nondepreciable Capital Assets | 1,569,249 |
| Depreciable Capital Assets, Net | 9,399,552 |
| Total Assets | 31,838,452 |
| Deferred Outflows of Resources: | |
| Deferred Charge on Refunding | 349,504 |
| Liabilities: | |
| Accounts Payable | 52,513 |
| Accrued Wages and Benefits Payable | 1,335,594 |
| Matured Compensated Absences Payable | 31,529 |
| Accrued Interest Payable | 28,335 |
| Intergovernmental Payable | 391,786 |
| Long-Term Liabilities: | |
| Due Within One Year | 524,211 |
| Due in More Than One Year | 10,688,958 |
| Total Liabilities | 13,052,926 |
| Deferred Inflows of Resources: | |
| Property Taxes | 6,269,012 |
| Net Position: | |
| Net Investment in Capital Assets | 1,523,539 |
| Restricted for: | |
| Debt Service | 3,437,468 |
| Capital Outlay | 63,260 |
| Food Service | 436,726 |
| District Managed Activities | 10,373 |
| State and Federal Grants | 40,001 |
| Set-Asides | 52,637 |
| Unrestricted | 7,302,014 |
| Total Net Position | \$12,866,018 |

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>Program Revenues</u> | | | Net (Expense) Revenue and Changes in Net Position |
|---|-------------------------|---------------------------------|---|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants, Interest and Contributions</u> | <u>Total Governmental Activities</u> |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$9,518,617 | \$1,049,431 | \$319,134 | (\$8,150,052) |
| Special | 3,822,548 | 280,453 | 2,134,619 | (1,407,476) |
| Vocational | 3,423 | | 16,257 | 12,834 |
| Student Intervention Services | 18,189 | | | (18,189) |
| Support Services: | | | | |
| Pupils | 1,217,891 | 4,458 | 43,357 | (1,170,076) |
| Instructional Staff | 552,463 | | | (552,463) |
| Board of Education | 33,822 | | | (33,822) |
| Administration | 2,019,868 | 26,054 | 39,490 | (1,954,324) |
| Fiscal | 446,675 | | | (446,675) |
| Business | 47,482 | | | (47,482) |
| Operation and Maintenance of Plant | 1,990,150 | 157,606 | 11,691 | (1,820,853) |
| Pupil Transportation | 1,436,659 | | 7,200 | (1,429,459) |
| Central | 152,531 | 141,690 | 874,330 | 863,489 |
| Operation of Non-Instructional: | | | | |
| Services | 1,038,800 | | | (1,038,800) |
| Extracurricular Activities | 726,950 | 179,281 | 3,199 | (544,470) |
| Interest and Fiscal Charges | 162,487 | | | (162,487) |
| Total Governmental Activities | <u>\$23,188,555</u> | <u>\$1,838,973</u> | <u>\$3,449,277</u> | <u>(17,900,305)</u> |
| General Revenues: | | | | |
| Property Taxes Levied for: | | | | |
| General Purposes | | | | 7,344,532 |
| Debt Service | | | | 464,275 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 11,109,363 |
| Investment Earnings | | | | 112,827 |
| Miscellaneous | | | | 7,960 |
| Total General Revenues | | | | <u>19,038,957</u> |
| Change in Net Position | | | | 1,138,652 |
| Net Position at Beginning of Year (restated -see Note 3) | | | | 11,727,366 |
| Net Position at End of Year | | | | <u>\$12,866,018</u> |

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$6,822,936 | \$1,090,012 | \$7,912,948 |
| Cash and Cash Equivalents in Segregated Accounts | | 2,000 | 2,000 |
| Receivables: | | | |
| Property Taxes | 9,113,326 | 570,747 | 9,684,073 |
| Accounts | 2,653 | | 2,653 |
| Intergovernmental | 103,734 | 269,072 | 372,806 |
| Materials and Supplies Inventory | 7,077 | 3,495 | 10,572 |
| Inventory Held for Resale | | 8,336 | 8,336 |
| Restricted Assets: | | | |
| Investments with Escrow Agents | 2,823,626 | | 2,823,626 |
| Equity in Pooled Cash and Cash Equivalents | 52,637 | | 52,637 |
| Total Assets | <u>18,925,989</u> | <u>1,943,662</u> | <u>20,869,651</u> |
| Liabilities: | | | |
| Accounts Payable | 48,051 | 4,462 | 52,513 |
| Accrued Wages and Benefits Payable | 1,152,490 | 183,104 | 1,335,594 |
| Matured Compensated Absences Payable | 31,529 | | 31,529 |
| Intergovernmental Payable | 359,031 | 32,755 | 391,786 |
| Total Liabilities | <u>1,591,101</u> | <u>220,321</u> | <u>1,811,422</u> |
| Deferred Inflows of Resources: | | | |
| Property Taxes | 5,897,722 | 371,290 | 6,269,012 |
| Unavailable Revenue | 2,666,283 | 342,097 | 3,008,380 |
| Total Deferred Inflows of Resources | <u>8,564,005</u> | <u>713,387</u> | <u>9,277,392</u> |
| Fund Balances: | | | |
| Nonspendable | 8,578 | 3,495 | 12,073 |
| Restricted | 2,876,263 | 1,050,937 | 3,927,200 |
| Assigned | 467,779 | | 467,779 |
| Unassigned (Deficit) | 5,418,263 | (44,478) | 5,373,785 |
| Total Fund Balances | <u>8,770,883</u> | <u>1,009,954</u> | <u>9,780,837</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$18,925,989</u> | <u>\$1,943,662</u> | <u>\$20,869,651</u> |

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

| | | |
|--|---------------------|----------------------------|
| Total Governmental Fund Balances | | \$9,780,837 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p> | | |
| Land | \$1,569,249 | |
| Land Improvements | 2,279,846 | |
| Buildings and Improvements | 18,966,344 | |
| Furniture and Equipment | 4,737,260 | |
| Vehicles | 1,096,602 | |
| Accumulated Depreciation | <u>(17,680,500)</u> | |
| Total Capital Assets | | 10,968,801 |
| <p>Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.</p> | | |
| Property Taxes | 2,831,222 | |
| Intergovernmental Grants | <u>177,158</u> | |
| | | 3,008,380 |
| <p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p> | | |
| | | (28,335) |
| <p>Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.</p> | | |
| | | 349,504 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:</p> | | |
| Premium on Bonds | (394,766) | |
| Accretion on Capital Appreciation Bonds | (106,187) | |
| General Obligation Bonds | (4,620,000) | |
| Capital Appreciation Bonds | (280,000) | |
| Capital Leases | (4,500,000) | |
| Compensated Absences | <u>(1,312,216)</u> | |
| Total Liabilities | | <u>(11,213,169)</u> |
| Net Position of Governmental Activities | | <u><u>\$12,866,018</u></u> |

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------------|---|---|
| Revenues: | | | |
| Property Taxes | \$7,185,275 | \$454,400 | \$7,639,675 |
| Intergovernmental | 11,723,106 | 2,779,814 | 14,502,920 |
| Interest | 115,111 | | 115,111 |
| Tuition and Fees | 1,483,417 | | 1,483,417 |
| Extracurricular Activities | 34,595 | 80,872 | 115,467 |
| Charges for Services | | 148,317 | 148,317 |
| Rent | 91,772 | | 91,772 |
| Gifts and Donations | 8,277 | 3,699 | 11,976 |
| Miscellaneous | 5,744 | 2,216 | 7,960 |
| Total Revenues | <u>20,647,297</u> | <u>3,469,318</u> | <u>24,116,615</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 8,980,788 | 322,476 | 9,303,264 |
| Special | 2,365,002 | 1,453,026 | 3,818,028 |
| Vocational | 3,276 | | 3,276 |
| Student Intervention Services | 18,189 | | 18,189 |
| Support Services: | | | |
| Pupils | 1,175,279 | 43,200 | 1,218,479 |
| Instructional Staff | 542,758 | 10,560 | 553,318 |
| Board of Education | 33,822 | | 33,822 |
| Administration | 1,982,601 | 32,000 | 2,014,601 |
| Fiscal | 432,862 | 9,246 | 442,108 |
| Business | 63,028 | | 63,028 |
| Operation and Maintenance of Plant | 1,964,456 | 601 | 1,965,057 |
| Pupil Transportation | 1,333,379 | 2,501 | 1,335,880 |
| Central | 147,582 | | 147,582 |
| Operation of Non-Instructional Services | 1,261 | 1,036,918 | 1,038,179 |
| Extracurricular Activities | 422,927 | 93,262 | 516,189 |
| Capital Outlay | 198,405 | 199,562 | 397,967 |
| Debt Service: | | | |
| Principal Retirement | | 370,000 | 370,000 |
| Interest and Fiscal Charges | 30,600 | 121,608 | 152,208 |
| Total Expenditures | <u>19,696,215</u> | <u>3,694,960</u> | <u>23,391,175</u> |
| Net Change in Fund Balances | 951,082 | (225,642) | 725,440 |
| Fund Balances at Beginning of Year | <u>7,819,801</u> | <u>1,235,596</u> | <u>9,055,397</u> |
| Fund Balances at End of Year | <u><u>\$8,770,883</u></u> | <u><u>\$1,009,954</u></u> | <u><u>\$9,780,837</u></u> |

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY 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, 2014**

| | | |
|--|-----------|-------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$725,440 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p> | | |
| Capital Outlay | \$504,362 | |
| Current Year Depreciation Expense | (770,868) | |
| Excess of Capital Outlay under Depreciation Expense | (266,506) | (266,506) |
| <p>Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of:</p> | | |
| General Obligation Bond Principal Payments | 270,000 | |
| Refunding Bond Principal Payments | 100,000 | |
| | 370,000 | 370,000 |
| <p>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. The difference in the amount of interest on the statement of activities is the result of the following:</p> | | |
| Amortization of Premium on Bonds | 55,853 | |
| Amortization of Gain on Refunding | (27,234) | |
| Accretion on Capital Appreciation Bonds | (39,886) | |
| Decrease in Accrued Interest Payable | 988 | |
| | (10,279) | (10,279) |
| <p>Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are unavailable in the governmental funds:</p> | | |
| Property Taxes | 169,132 | |
| Intergovernmental Grants | 43,744 | |
| Interest | (2,284) | |
| | 210,592 | 210,592 |
| <p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p> | | |
| Decrease in Compensated Absences | | 109,405 |
| Change in Net Position of Governmental Activities | | \$1,138,652 |

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>Budgeted Amounts</u> | | | Variance With Final Budget Positive (Negative) |
|---|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Property Taxes | \$7,011,582 | \$6,954,672 | \$6,954,672 | |
| Intergovernmental | 11,343,617 | 11,519,770 | 11,519,770 | |
| Interest | 9,500 | 11,079 | 11,079 | |
| Tuition and Fees | 1,380,000 | 1,484,480 | 1,484,480 | |
| Extracurricular Activities | 94,000 | 94,338 | 94,338 | |
| Rent | 34,600 | 34,595 | 34,595 | |
| Gifts and Donations | 10,000 | 14,876 | 14,876 | |
| Miscellaneous | 1,000 | 2,369 | 2,369 | |
| Total Revenues | <u>19,884,299</u> | <u>20,116,179</u> | <u>20,116,179</u> | |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,766,519 | 9,044,648 | 9,044,498 | \$150 |
| Special | 2,390,527 | 2,327,442 | 2,326,897 | 545 |
| Vocational | | 3,276 | 3,276 | |
| Student Intervention Service | 17,638 | 18,075 | 17,500 | 575 |
| Support Services: | | | | |
| Pupils | 795,492 | 1,184,233 | 1,184,233 | |
| Instructional Staff | 499,168 | 551,550 | 551,550 | |
| Board of Education | 51,309 | 35,125 | 34,238 | 887 |
| Administration | 2,308,687 | 2,012,637 | 2,010,943 | 1,694 |
| Fiscal | 487,553 | 433,802 | 433,252 | 550 |
| Business | 83,350 | 133,814 | 133,814 | |
| Operation and Maintenance of Plant | 2,110,526 | 2,056,903 | 2,056,138 | 765 |
| Pupil Transportation | 1,441,795 | 1,347,630 | 1,341,422 | 6,208 |
| Central | 201,748 | 221,623 | 155,176 | 66,447 |
| Operation of Non-Instructional Services | | 1,244 | 1,244 | |
| Extracurricular Activities | 456,826 | 462,414 | 424,692 | 37,722 |
| Capital Outlay | 693,769 | 226,992 | 226,992 | |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 30,600 | 30,600 | 30,600 | |
| Total Expenditures | <u>19,335,507</u> | <u>20,092,008</u> | <u>19,976,465</u> | <u>115,543</u> |
| Excess of Revenues Under Expenditures | <u>548,792</u> | <u>24,171</u> | <u>139,714</u> | <u>115,543</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers - Out | (500,000) | | | |
| Payment to Escrow Agent | (229,555) | (229,555) | (229,555) | |
| Refund of Prior Year Expenditures | 65,000 | 149,581 | 149,581 | |
| Refund of Prior Year Receipts | | | (27,958) | (27,958) |
| Advances In | | | | |
| Total Other Financing Sources (Uses) | <u>(664,555)</u> | <u>(79,974)</u> | <u>(107,932)</u> | <u>(27,958)</u> |
| Net Change in Fund Balance | (115,763) | (55,803) | 31,782 | 87,585 |
| Fund Balance at Beginning of Year | 5,906,004 | 5,906,004 | 5,906,004 | |
| Prior Year Encumbrances Appropriated | 479,561 | 479,561 | 479,561 | |
| Fund Balance at End of Year | <u>\$6,269,802</u> | <u>\$6,329,762</u> | <u>\$6,417,347</u> | <u>\$87,585</u> |

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

| | <u>Private Purpose Trust</u> | <u>Agency</u> |
|--|----------------------------------|----------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$19,083</u> | <u>\$8,553</u> |
| Liabilities: | | |
| Due To Students | <u> </u> | <u>\$8,553</u> |
| Net Position: | | |
| Held in Trust for Scholarships | <u>\$19,083</u> | |

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>Private Purpose Trust</u> |
|---|----------------------------------|
| Additions: | |
| Contributions and Donations | \$1,316 |
| Miscellaneous | 3,203 |
| Total Additions | <u>4,519</u> |
| Deductions: | |
| Payment in Accordance With Trust Agreements | <u>7,120</u> |
| Change in Net Position | (2,601) |
| Net Position at Beginning of Year | <u>21,684</u> |
| Net Position at End of Year | <u><u>\$19,083</u></u> |

See accompanying notes to the basic financial statements.

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Northridge Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1931 through the consolidation of existing land areas and school districts. The School District serves an area of approximately seven square miles. It is located in Montgomery County.

Reporting Entity:

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

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

The School District participates in four jointly governed organizations, two insurance purchasing pools, and one public entity shared risk pool. These organizations are discussed in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program

Public Entity Shared Risk Pool:

- Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Northridge Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

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.

1. Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

2. 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. Non-major 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 funds of the School District are divided into two categories; governmental and fiduciary.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is 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 General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

2. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two fiduciary funds: a private purpose trust fund, used to account for college scholarship programs for students; and an agency fund, used to account for student managed activity programs.

C. Measurement Focus

1. Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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 and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its re-acquisition price. This amount is deferred and amortized over the shorter 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, 2014, but which were levied to finance fiscal year 2015 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.

3. Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled, except cash held in a segregated bank account separate from the School District's central bank account as petty cash for School District managed activities. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash received for district managed activities is presented on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts," since it is not required to be deposited into the School District treasury. The School District holds money in a sinking fund to be used for the payment of the capital lease for the building renovation project. The balance in this account is presented on the financial statements as "Restricted Assets: Investments with Escrow Agents."

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2014, the School District invested in the First American Government Obligation Money Market Fund, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, United States Treasury Notes, Toyota Motor Credit, Federal Home Loan Mortgage Notes, and the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value, which is based on the fund's share price. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$115,111, which includes \$14,846 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions. Restricted assets in the General Fund represent cash and cash equivalents legally required by statute to be set aside by the School District to create a reserve for budget stabilization and debt service payments required by the lease agreement.

G. Inventory

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

H. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Land Improvements | 15-20 years |
| Buildings and Improvements | 20-50 years |
| Furniture and Equipment | 5-20 years |
| Vehicles | 10-15 years |

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

J. 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 governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

K. Fund Balance

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

L. Net Position

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

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

N. Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

O. 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, is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method; and is presented as deferred outflows of resources on the Statement of Net Position.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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.

3. RESTATEMENT OF PRIOR YEAR NET POSITION

During fiscal year 2014, the School District changed the threshold for recording capitalized assets from \$500 to \$1,500.

| | |
|---|------------------------------------|
| | Governmental Activities |
| Net Position, June 30, 2013, as previously reported | \$11,962,327 |
| Restatement of Capitalized Assets | (234,961) |
| Net Position, June 30, 2014, as Restated | \$11,727,366 |

4. ACCOUNTABILITY

At June 30, 2014, the following funds had a deficit fund balance:

| Funds | Amounts |
|-------------------------|----------------|
| Special Revenue: | |
| Title VI-B | \$8,188 |
| Title I | 28,716 |
| Title VI-R | 7,574 |
| Total | \$44,478 |

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

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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).

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

| New Change in Fund Balance | General |
|--|----------------|
| GAAP Basis: | \$951,082 |
| Revenue Accruals | (378,724) |
| Expenditure Accruals | 149,592 |
| Encumbrances | (457,800) |
| Sinking Fund Payment to Escrow Agent | (229,555) |
| Change in Fair Value of Investments FY13 | (2,387) |
| Change in Fair Value of Investments FY14 | (426) |
| Budget Basis | \$31,782 |

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

A. Investments

As of June 30, 2014, the School District had the following investments. Except for the investments held by escrow agents for the lease agreement, all investments are in an internal investment pool.

| | <u>Fair Value</u> | <u>Maturity Less Than One Year</u> | <u>Due in 1-3 Years</u> | <u>Due in 3-5 Years</u> | <u>Rating *</u> | <u>Percent of Total Investments</u> |
|--|--------------------|--|-----------------------------|-----------------------------|-----------------|---|
| First American Government Obligation Money Market Fund | \$31,801 | \$30,801 | | | Aaa | 0.87% |
| Federal Home Loan Bank Notes | 187,684 | | 187,684 | | Aaa | 5.13% |
| Federal National Mortgage Association Notes | 433,806 | | 384,668 | \$49,138 | Aaa | 11.87% |
| United States Treasury Notes | 100,086 | | 100,086 | | Aaa | 2.74% |
| Toyota Motor Credit | 99,989 | 99,989 | | | P-1 | 2.74% |
| Federal Home Loan Mortgage Notes | 160,251 | | 160,251 | | Aaa | 4.38% |
| STAROhio | 2,641,543 | 2,641,543 | | | AAAm | 72.27% |
| | <u>\$3,655,160</u> | <u>\$2,772,333</u> | <u>\$832,689</u> | <u>\$49,138</u> | | |

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

B. Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than five years from the date of investment.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

C. Credit Risk

The School District's investment policy limits investments to those authorized by State statute, which restricts investments to those that are highly rated or issued by United States Government sponsored enterprises.

D. Concentration of Credit Risk

The School District's investment policy places no limit on the amount it may invest in any one issuer; however, State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The percentage that each investment represents of the total investments is listed in the table above.

7. 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end.

The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows - property taxes.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2014, was \$583,839 and is recognized as revenue: \$549,321 in the General Fund and \$34,518 in the Bond Retirement Fund. The amount available as an advance at June 30, 2013, was \$318,718 in the General Fund and \$21,011 in the Bond Retirement Fund.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

| | 2013 Second- Half Collections | | 2014 First- Half Collections | |
|---|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$154,855,360 | 97% | \$153,518,510 | 97% |
| Public Utility Personal | 4,372,700 | 3% | 4,828,250 | 3% |
| Total Assessed Value | \$159,228,060 | 100% | \$158,346,760 | 100% |
| Tax Rate per \$1,000 of Assessed Valuation | \$71.00 | | \$71.00 | |

8. RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, accounts, 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 year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

| Governmental Activities: | Amount |
|--|---------------|
| Special Education Transportation Reimbursement | \$77,328 |
| Medicaid Reimbursement | 19,329 |
| Special Education part B | 211 |
| E-Rate | 7,077 |
| School Improvement | 252,549 |
| Improving Teacher Quality | 16,312 |
| Total Intergovernmental Receivable | \$372,806 |

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

| | Restated Balance 6/30/13 | Additions | Deductions | Balance 6/30/14 |
|---|---|--------------------|-------------------|----------------------------|
| Governmental Activities: | | | | |
| Capital Assets, not Being Depreciated: | | | | |
| Land | \$1,569,249 | | | \$1,569,249 |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 2,063,820 | \$216,026 | | 2,279,846 |
| Buildings and Improvements | 18,966,344 | | | 18,966,344 |
| Furniture and Equipment | 4,629,544 | 107,716 | | 4,737,260 |
| Vehicles | 1,019,864 | 180,620 | (\$103,882) | 1,096,602 |
| Total Capital Assets, Being Depreciated | <u>26,679,572</u> | <u>504,362</u> | <u>(103,882)</u> | <u>27,080,052</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (1,305,155) | (59,348) | | (1,364,503) |
| Buildings and Improvements | (10,816,196) | (525,890) | | (11,342,086) |
| Furniture and Equipment | (4,110,480) | (112,384) | | (4,222,864) |
| Vehicles | (781,683) | (73,246) | 103,882 | (751,047) |
| Total Accumulated Depreciation | <u>(17,013,514)</u> | <u>(770,868) *</u> | <u>103,882</u> | <u>(17,680,500)</u> |
| Capital Assets, Being Depreciated, Net | <u>9,666,058</u> | <u>(266,506)</u> | | <u>9,399,552</u> |
| Governmental Activities Capital Assets, Net | <u>\$11,235,307</u> | <u>(\$266,506)</u> | <u>\$0</u> | <u>\$10,968,801</u> |

*Depreciation expense was charged to governmental functions as follows:

| | |
|---|------------------|
| Instruction: | |
| Regular | \$324,826 |
| Special | 3,147 |
| Vocational | 147 |
| Support Services: | |
| Pupils | 15,995 |
| Administration | 2,709 |
| Fiscal | 487 |
| Business | 28 |
| Operation and Maintenance of Plant | 84,295 |
| Pupil Transportation | 97,380 |
| Operation of Non-Instructional Services | 18,867 |
| Extracurricular Activities | <u>222,987</u> |
| Total Depreciation Expense | <u>\$770,868</u> |

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracted with the Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program (Note 16) for general liability, property, and fleet insurance.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. RISK MANAGEMENT (Continued)

B. Medical Benefits

The School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 55 school districts (Note 16). The School District pays monthly premiums to the Trust for employee medical, dental, life, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

C. Workers' Compensation

The School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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 Corvel Corporation provides administrative, cost control, and actuarial services to the GRP.

11. 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 10.0 percent of their annual covered salary and the School District is required to contribute 14.0 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 10.0 percent for plan members and 14.0 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, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 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, 2014, 2013, and 2012 were \$290,225, \$289,161, and \$320,441, respectively. For fiscal year 2014, 76.95 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771; by calling (888) 227-7877; or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11.0 percent for members and 14.0 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013 and will be increased one percent each year until it reaches 14.0 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11.0 percent of their annual covered salary. The School District was required to contribute 14.0 percent; 13.0 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 \$896,091 and \$1,040,148 for the fiscal year ended June 30, 2014, \$919,166 and \$1,046,343 for the fiscal year ended June 30, 2013, and \$991,146 and \$1,146,602 for the fiscal year ended June 30, 2012. For fiscal year 2014, 78.39 percent has been contributed for the DB plan and 78.39 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 2013 and 2012.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$16,560 made by the School District and \$13,012 made by the plan members. In addition, member contributions of \$11,564 were made for fiscal year 2014 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 Employees Retirement System. As of June 30, 2014, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

12. POST-EMPLOYMENT 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, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14.0 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 2014, 0.14 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 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$48,936 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, 2014, 2013, and 2012 were \$68,875, \$66,673, and \$55,850, respectively. For fiscal year 2014, 76.95 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. POST-EMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$16,837, \$16,334, and \$18,998 respectively. For fiscal year 2014, 76.95 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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 postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$68,930, \$70,705, and \$76,242 respectively. For fiscal year 2014, 78.39 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effectively July 1, 2014.

13. OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 360 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 90 days for all employees.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the School District entered into a lease agreement for a renovation project involving the buildings of the School District, which meets the definition of a Qualified Zone Academy debt. The School District makes annual interest payments of 0.68 percent to the lessor and annual sinking fund payments to the escrow agent. The escrow agent is investing the School District's deposits and has guaranteed a return on the investments to meet the School District's lease liability. Chase Leasing Corporation will be repaid in fiscal year 2019 when the \$4,500,000 lease payment is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the lease is paid timely. The School District is current on the deposits.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2014:

| Fiscal Year Ending June 30, | Amount |
|---|-------------|
| 2015 | \$30,600 |
| 2016 | 30,600 |
| 2017 | 30,600 |
| 2018 | 30,600 |
| 2019 | 4,530,600 |
| Total | 4,653,600 |
| Less: Amount Representing Interest | (153,000) |
| Present Value of Minimum Lease Payments | \$4,500,000 |

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

| Fiscal Year Ending June 30, | Interest | Sinking Fund Payments | Total Lease Payments |
|-----------------------------|-----------|-----------------------------|----------------------------|
| 2015 | \$30,600 | \$229,555 | \$260,155 |
| 2016 | 30,600 | 229,555 | 260,155 |
| 2017 | 30,600 | 229,555 | 260,155 |
| 2018 | 30,600 | 229,555 | 260,155 |
| 2019 | 30,600 | 30,600 | 30,600 |
| | \$153,000 | \$918,220 | \$1,071,220 |

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

| Types / Issues | Balance 6/30/13 | Issued | Retired | Balance 6/30/14 | Due Within One Year |
|---------------------------------------|--------------------|--------|-----------|--------------------|------------------------|
| Governmental Activities: | | | | | |
| 2003 School Improvement Bonds: | | | | | |
| Serial Bonds 2.00-4.40% | \$270,000 | | \$270,000 | | |
| Premium on Bonds | 3,571 | | 3,571 | | |

(Continued)

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

| <u>Types / Issues</u> | <u>Balance 6/30/13</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance 6/30/14</u> | <u>Due Within One Year</u> |
|--|----------------------------|------------------|------------------|----------------------------|--------------------------------|
| 2012 School Improvement | | | | | |
| Refunding Bonds: | | | | | |
| Serial Bonds 2.00-3.00% | 4,720,000 | | 100,000 | \$4,620,000 | \$380,000 |
| Capital Appreciation Bonds 15.49-16.43% | 280,000 | | | 280,000 | |
| Accretion on Capital Appreciation Bonds | 66,301 | \$39,886 | | 106,187 | |
| Premium on Serial Bonds | 86,469 | | 6,251 | 80,218 | |
| Premium on Capital Appreciation Bonds | 360,579 | | 46,031 | 314,548 | |
| Total Long-Term Debt | 5,786,920 | 39,886 | 425,853 | 5,400,953 | 380,000 |
| Compensated Absences Payable | 1,421,621 | 74,506 | 183,911 | 1,312,216 | 144,211 |
| Capital Lease Payable | 4,500,000 | | | 4,500,000 | |
| Total Long-Term Obligations | <u>\$11,708,541</u> | <u>\$114,392</u> | <u>\$609,764</u> | <u>\$11,213,169</u> | <u>\$524,211</u> |

School Improvement Bonds - On April 8, 2003, Northridge Local School District issued \$7,380,000 in school improvement general obligation bonds. Of these bonds, \$5,620,000, are serial bonds, \$1,370,000 are term bonds, and \$390,000 are capital appreciation bonds. The bonds were issued for a 25-year period with final maturity during fiscal year 2028. The bonds will be retired from the Bond Retirement Fund with property tax revenues. A portion of the serial bonds and all of the term bonds were refunded during fiscal year 2012 with the issuance of the 2012 School Improvement Refunding Bonds.

The serial bonds matured after December 1, 2013 were subject to optional redemption at the direction of the School District, in whole at any time or in part on any interest payment date, in any order as determined by the School District and by lot within a maturity, on or after December 1, 2012, at the redemption prices (expressed as percentages of the principal amount) set forth in the bond purchase agreement, plus accrued interest to the redemption date.

School Improvement Refunding Bonds – On April 25, 2012, Northridge Local School District issued \$5,145,000 in school improvement refunding bonds. Of these bonds, \$4,865,000 are serial bonds, and \$280,000 are capital appreciation bonds. The bonds were issued for a 15-year period with final maturity during fiscal year 2027. The bonds were issued for the purpose of advance refunding a portion of the School Improvement Bonds. The bonds will be retired from the Bond Retirement Fund with property tax revenues.

The refunding bonds maturing on December 1, 2022 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within maturity, at the option of the Board of Education on or after December 1, 2021 at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$280,000, are not subject to prior redemption. The fiscal year 2014 accretion amount was \$39,886. The capital appreciation bonds will mature December 1, 2018 and 2019, in the amount of \$830,000.

The above amounts of refunded bonds are defeased and are not reported in the accompanying basic financial statements.

On December 1, 2013, the escrow agent made the final payment on the refunded bonds.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

The capital lease will be paid from the General Fund. Compensated absences will be paid from the General, Food Service, Title VI-B, Title I, and Title VI-R Funds.

The School District's overall legal debt margin was \$9,828,446; and the un-voted debt margin was \$158,347 at June 30, 2014.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, are as follows:

| Fiscal Year Ending June 30 | Serial Bonds | | Capital Appreciation | |
|---------------------------------------|---------------------|------------------|-----------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2015 | \$380,000 | \$111,880 | | |
| 2016 | 390,000 | 104,180 | | |
| 2017 | 395,000 | 96,330 | | |
| 2018 | 405,000 | 88,330 | | |
| 2019 | | 84,280 | \$155,000 | 260,000 |
| 2020-2024 | 1,735,000 | 324,110 | 125,000 | 290,000 |
| 2025-2027 | 1,315,000 | 54,660 | | |
| Total | \$4,620,000 | \$863,770 | \$280,000 | \$550,000 |

16. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND PUBLIC ENTITY SHARED RISK POOL

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy, and Greenville. 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 MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The Board exercises total control over the operations of MDECA including budgeting, appropriating, contracting and designating management. Each school district's degree of control is limited to its representation on the Board. Payments to MDECA are made from the General Fund. The School District paid MDECA \$42,691 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND PUBLIC ENTITY SHARED RISK POOL (Continued)

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 130 school districts in 18 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Board exercises total control over the operations of SOEPC including budgeting, appropriating, contracting and designating management. Each school district's degree of control is limited to its representation on the Board. Payments to SOEPC are generally made from the General Fund. During fiscal year 2014, the School District paid \$969 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under chapter 1702 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of 21 representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area. The Board exercises total control over the operations of MDECA including budgeting, appropriating, contracting and designating management. Each school district's degree of control is limited to its representation on the Board.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2014, the School District paid \$1,085 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND PUBLIC ENTITY SHARED RISK POOL (Continued)

Miami Valley Career Technology Center

The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the nine participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, and one is appointed from the Miami County Educational Service Center. The Board exercises total control over the operations of the Career Technology Center including budgeting, appropriating, contracting and designating management. Each school district's degree of control is limited to its representation on the Board. The School District did not contribute financially to this organization during fiscal year 2014. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program

The School District participates in the Southwestern Ohio Educational Purchasing Council Liability, Fleet and Property Program (LFP). The LFP's business and affairs are conducted by a six-member committee consisting of various LFP representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Program of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participants.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND PUBLIC ENTITY SHARED RISK POOL (Continued)

C. Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

17. 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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The School District is no longer required to set aside funds in the budget stabilization set aside, with the exception of refunds received from the Bureau of Workers Compensation, which must be spent for specified purposes.

The following cash basis information describes the change in the fiscal year-end set-aside amount for capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

| <u>Company</u> | <u>Capital Improvements</u> | <u>Budget Stabilization</u> |
|--|---------------------------------|---------------------------------|
| Set-aside Restricted Balance as of June 30, 2013 | | \$52,637 |
| Current Fiscal Year Set-aside Requirement | \$283,824 | |
| Current Fiscal Year Offsets | (283,824) | |
| Qualifying Disbursements | | |
| Set-aside Restricted Balance as of June 30, 2014 | <u>\$0</u> | <u>\$52,637</u> |
| Set-aside Balances Carried Forward to Future Fiscal Years | <u>\$0</u> | <u>\$52,637</u> |

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

18. SIGNIFICANT COMMITMENTS

Encumbrances

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

| | |
|------------------------------|-------------------------|
| General Fund | \$457,800 |
| Non-major Governmental Funds | <u>22,608</u> |
| Total | <u><u>\$480,408</u></u> |

19. FUND BALANCES

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

| Fund Balances | General Fund | Non-major Governmental Funds | Total |
|-----------------------------|---------------------------|------------------------------------|---------------------------|
| Non-spendable | | | |
| Unclaimed Funds | \$1,501 | | \$1,501 |
| Inventory | 7,077 | \$3,495 | 10,572 |
| Total Non-spendable | <u>8,578</u> | <u>3,495</u> | <u>12,073</u> |
| Restricted for: | | | |
| Lease Payment | 2,823,626 | | 2,823,626 |
| Set Asides | 52,637 | | 52,637 |
| Food Service | | 499,180 | 499,180 |
| District Managed Activities | | 10,373 | 10,373 |
| Federal Grants | | 886 | 886 |
| Debt Service | | 477,238 | 477,238 |
| Capital Improvements | | 63,260 | 63,260 |
| Total Restricted | <u>2,876,263</u> | <u>1,050,937</u> | <u>3,927,200</u> |
| Assigned to: | | | |
| Purchases on Order | 417,342 | | 417,342 |
| Principal Fund | 50,437 | | 50,437 |
| Total Assigned | <u>467,779</u> | | <u>467,779</u> |
| Unassigned (Deficit) | 5,418,263 | (44,478) | 5,373,785 |
| Total Fund Balances | <u><u>\$8,770,883</u></u> | <u><u>\$1,009,954</u></u> | <u><u>\$9,780,837</u></u> |

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The School District is not currently involved in a legal proceeding as of June 30, 2014.

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|------------------------------------|--------------------|------------------------------|---------------------|----------------------------------|
| U.S. Department of Agriculture | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | |
| Child Nutrition Cluster: | | | | | |
| School Breakfast Program | 10.553 | \$201,754 | | \$201,754 | |
| National School Lunch Program | 10.555 | 572,707 | \$53,587 | 572,707 | \$53,587 |
| Total Child Nutrition Cluster | | <u>774,461</u> | <u>53,587</u> | <u>774,461</u> | <u>53,587</u> |
| Team Nutrition Grants | 10.574 | 2,377 | | 2,377 | |
| Fresh Fruit and Vegetable Program | 10.582 | <u>26,015</u> | | <u>26,015</u> | |
| Total U.S. Department of Agriculture | | <u>802,853</u> | <u>53,587</u> | <u>802,853</u> | <u>53,587</u> |
| U.S. Department of Education | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 1,015,884 | | 1,043,699 | |
| Special Education - Grants to States | 84.027 | 408,258 | | 415,330 | |
| Improving Teacher Quality State Grants | 84.367 | 154,138 | | 156,241 | |
| Total U.S. Department of Education | | <u>1,578,280</u> | | <u>1,615,270</u> | |
| Total Federal Financial Assistance | | <u>\$2,381,133</u> | <u>\$53,587</u> | <u>\$2,418,123</u> | <u>\$53,587</u> |

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER AND FRESH FRUIT AND VEGETABLE PROGRAM

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Northridge Local School District
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, (the School District) as of and for the year ended June 30, 2014, 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 March 23, 2015.

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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider Finding Number 2014-001 to be a significant deficiency.

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*.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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.

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Dave Yost
Auditor of State
Columbus, Ohio

March 23, 2015



Dave Yost • Auditor of State

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

Northridge Local School District
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited 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 each of Northridge Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

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 programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

As described in Finding Number 2014-002 in the accompanying schedule of findings, the School District did not comply with requirements regarding level of effort and special tests and provisions applicable to its Title I Grants to Local Educational Agencies major federal program. Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

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Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, Northridge Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Title I* program for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Programs

In our opinion, Northridge Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2014.

The School District's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as Finding Number 2014-002 to be a material weakness.

The School District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 23, 2015

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Qualified: Title I Grants to Local Educational Agencies Unmodified: Child Nutrition Cluster |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | Child Nutrition Cluster: School Breakfast Program: CFDA #10.553 National School Lunch Program CFDA #10.555 Title I Grants to Local Educational Agencies: CFDA #84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2014-001

Significant Deficiency – Capital Assets

During fiscal year 2014, the School District changed its capital asset threshold from \$500 to \$1,500. This change resulted in the removal of many items from the School District's capital asset system. Review of the listing of items being removed noted several items that were above the \$1,500 threshold amount. Some of these items included land, buildings, and building improvements. The School District originally removed \$2,264,534 in capital assets being depreciated and \$1,600,868 in accumulated depreciation for a net reduction of capital assets of \$663,666. After review and correction of the School District's capital asset balance, the School District ultimately removed \$1,835,829 in capital assets being depreciated and \$1,600,868 in accumulated depreciation for a net reduction of \$234,961. These amounts have been corrected in the School District's financial statements. The School District is working to put the items that were erroneously removed back onto its internal capital asset system.

There were also several other items noted, totaling \$129,460, that were above the \$1,500 threshold amount and removed from the School District's capital assets system. These items should not have been removed. Proper amounts for depreciation could not be determined, as these assets were originally entered into the capital asset system with useful lives of zero years. This amount was not corrected in the School District's financial statements.

The School District has also adopted a formal capital asset policy; however, the policy did not include capital asset useful lives. The School District's financial statement footnotes list general useful lives that are generally consistent with other school districts.

Failure to include useful lives in the formal capital asset policy could lead to asset depreciation calculations being performed that are not in accordance with the Board's and management's wishes.

The School District should take steps to determine that the capital asset system is correct and assets have appropriate useful lives. Failure to properly record capital assets in the system can lead to under or over statement within the system, and subsequently in the School District's financial statements. Failure to properly review adjustments being made to the system when a change is implemented can also lead to errors in the School District's capital asset system and in the financial statements. The School District should also evaluate its capital assets and determine appropriate useful lives for its various classes of capital assets. The School District's capital asset policy should be modified and approved by the Board to include appropriate capital asset useful lives.

OFFICIALS' RESPONSE:

The district just completed a physical update and/or reappraisal of its assets. The appraisal was completed by Industrial Appraisal Company located in Pittsburg, Pennsylvania. The Treasurer's Office will be working on updating the new information and downloading new information into the EIS System through MDECA. The district will also be working ensuring that capital assets in the system are correct and that they have appropriate useful lives. The district will also evaluate its current capital asset policy and revise if necessary.

3. FINDINGS FOR FEDERAL AWARDS

| | |
|------------------------------|---|
| Finding Number | 2014-002 |
| CFDA Title and Number | Title I Grants to Local Educational Agencies: CFDA #84.010 |
| Federal Agency | US Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance/Material Weakness – Level of Effort and Special Tests and Provisions

Title I, Sections 1116(a) and (b)(1), (7), and (8) of the Elementary and Secondary Education Act (ESEA) (20 USC 6316(a) and (b)(1), (7), and (8)) and 34 CFR sections 200.30 through 200.34 require school districts annually review the progress of each school served under Title I, Part A to determine whether the school has made Adequate Yearly Progress (AYP). Every school and district must meet AYP goals that the ODE Accountability Model (approved by USDOE) has established for reading and mathematics proficiency and test participation, attendance rate and graduation rate. AYP determinations for districts and schools are based on test participation and proficiency rate goals. These goals are evaluated for the student groups when the minimum subgroup size has been met. AYP graduation and attendance goals are evaluated for the “All Students” group only. Failure to meet any of the proficiency or participation goals, attendance levels or graduation targets results in the district or school not meeting AYP. This is commonly referred to as a maintenance of effort requirement.

Title I, Sections 1111(h)(2) and 1116(a)(1)(C) of ESEA (20 USC 6311(h)(2) and 6316(a)(1)(C)) and 34 CFR sections 200.36 through 200.38 also require each school district that receives Title I, Part A funds prepare and disseminate to all schools in the district—and to all parents of students attending those schools—an annual district-wide report card that, among other things, includes the number, names, and percentage of schools identified for school improvement and how long the schools have been so identified.

Under the No Child Left Behind (NCLB) model, a school’s report card specifies its performance as compared to other schools in Ohio. Specifically, the NCLB school report card displays student achievement data in reading, mathematics, science and other core subjects required by the state so that parents and the public can see how their schools are progressing over time. In addition, the report card includes information on student attendance rates and graduation rates.

A school’s performance on the report card can be affected by the students counted in the scoring. If the scores of low-performing students can be excluded from a particular school’s report card, the overall performance of that school shows a corresponding improvement.

Under NCLB, there are several allowable ways student test scores can be excluded from an individual school’s report card and pushed to the school district wide or state report card as described in ODE’s “Where Kids Count” (WKC) Methodology. Breaks in enrollment result in student test scores being pushed to the statewide composite report card. In this scenario, the local report card includes only students enrolled for the full academic year. A student must be enrolled continuously at a single school from the end of October count week to May 10th for grades 3-8 or March 19th for all other grades to qualify for the full academic year of attendance. When a lawful break in enrollment occurs, school districts push the student’s test scores to the State’s report card. Schools break enrollment by withdrawing or enrolling students between October count week and the end of the academic school year.

**FINDING NUMBER 2014-002
(Continued)**

The concept of due process prior to withdrawal of truant students is further emphasized by the NLCB Act and Individuals with Disabilities Education Act (IDEA). The NCLB Act requires every Title I eligible child be served under the program. Withdrawing students prior to receiving due process inaccurately inflates the school's AYP report card rating, which results in an understatement of Title I allocations to the eligible buildings within a school district.

The process of creating breaks in enrollment entails admitting or withdrawing students after the official October Average Daily Membership (ADM) count week. Valid reasons to create a "break" in enrollment are established pursuant to Chapter 2 of the 2012 ODE Education Management Information System (EMIS) Manual. One of the more common reasons is the student withdrew due to truancy/non-attendance.

Ohio Rev. Code Section 3321.19 defines truancy and empowers Ohio school governing boards to adopt their own policies for intervention and withdrawal of students. If a parent, guardian, or other custodian of a habitual truant fails to cause the child's attendance at school, the board of education may proceed with an intervention strategy in accordance with its adopted policy, may initiate delinquency proceedings, or both. Each board is required under Ohio Rev. Code Section 3321.191 to adopt a policy to guide employees in addressing and ameliorating the habitual truancy of students.

With regard to truancy, schools are permitted to withdraw students only after appropriate due process. The statutes provide several procedural steps which schools must follow in dealing with violations of the compulsory attendance laws.

We obtained the ODE EMIS information on student attendance and reviewed breaks in enrollment during fiscal year 2013 which cause student test scores to be pushed to the statewide composite report card.

We selected a sample of twenty students that were enrolled for only a portion of the 2013 fiscal year. While we noted the School District had Board-approved policies regarding completion and maintenance of enrollment or withdrawal forms, our testing identified the following material weaknesses:

- Three of twenty student files tested did not have supporting documentation in their files to support the withdrawals that were entered into the EMIS system.
- Two of twenty student files tested did not have supporting documentation in their files to support the withdrawal code that was entered into the EMIS system.

The School District should evaluate the Board-approved policies and establish formal procedures requiring the completion and maintenance of enrollment and withdrawal forms, and appropriate documentation supporting attendance events. The procedures should include training of its administrators, in addition to any other employees responsible, on the procedures to be performed as well as follow up reviews by the School District's internal audit department, or other specifically designated independent committee, to ensure the procedures are being followed. Additionally, the School District should take due care in ensuring all appropriate documentation supporting the withdrawal code entered for a student is properly included in the student's file. Failure to do so may result in potential future losses of Title I funding.

OFFICIALS' RESPONSE:

See page 61 for the School District's Corrective Action Plan.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|--|----------------------------------|
| 2014-002 | <p>Review of current registration and withdraw forms, as well as board policy, and update as necessary.</p> <p>Review and update board policy on Alternative School.</p> <p>Centralized registration and withdraw. This process began March 17, 2013.</p> <p>Training for administrators and secretaries on student records and accountability. Training will be provided by Montgomery County ESC, with refresher meetings at the beginning of each school year. This training took place on April 12, 2013.</p> <p>Request that when financials are audited that attendance is reviewed as well. The School District is willing to pay additional dollars that this might incur.</p> <p>A full time Director of Attendance was hired in September 2014.</p> <p>Administrators, secretaries, and the EMIS coordinator attended a MDECA presentation "Withdrawing Students" in February 2015.</p> | <p>Immediately</p> <p>Immediately</p> <p>2014-15 School Year</p> | David A. Jackson, Superintendent |

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2013-001 | Title I Non-Compliance/Material Weakness – Insufficient documentation related to student enrollment, student withdrawals, and students being home-schooled. | No | Repeated as Finding 2014-002 |



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Northridge Local School District
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414

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 School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated February 21, 2014, we noted the Board adopted an anti-harassment policy on February 22, 2010. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on March 24, 2014. We read the amended policy, noting it still does not include the following requirements listed in Ohio Rev. Code 3313.666.
 - (1) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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.

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Dave Yost
Auditor of State

March 23, 2015



Dave Yost • Auditor of State

NORTHRIDGE LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 14, 2015**