



OHIO AUDITOR OF STATE
KEITH FABER



**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2019**

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MONTGOMERY COUNTY
JUNE 30, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Northridge Local School District
Montgomery County
2008 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, each major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, Ohio (the School District), as of and for the fiscal year ended June 30, 2019, 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 such 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, each major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, Ohio, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the fiscal 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* and *the schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions* 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 Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2020

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

The management's discussion and analysis of the Northridge Local School District's (the "School District's") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. 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 2019 are as follows:

- In total, net position of governmental activities increased \$3,788,183 which represents an increase of 10.32% from June 30, 2018's net position.
- General revenues accounted for \$22,887,089 in revenue or 76.95% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$6,856,351 or 23.05% of total revenues of \$29,743,440.
- The School District had \$25,857,742 in expenses related to governmental activities; \$6,856,351 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$22,887,089 were adequate to provide for these programs.
- The School District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$24,430,429 in revenues and \$27,682,515 in expenditures. During fiscal year 2019, the general fund's fund balance decreased \$3,252,086 from a balance of \$16,663,350 to \$13,411,264.
- During fiscal year 2019, the classroom facilities fund had revenues of \$15,743,189 and expenditures of \$16,701,905. The fund balance of the classroom facilities fund decreased \$958,716 from \$15,772,792 to \$14,814,076.

Using these 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 the 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 *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. In the case of the School District, the general fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

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 2019?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The School District's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental funds begins on page 14. Fund financial reports 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 funds are the general fund and classroom facilities fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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* than can readily be converted to cash. The governmental fund financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private- purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-67 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 70-85 of this report.

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The School District as a Whole

The table below provides a summary of the School District's net position at June 30, 2019 and June 30, 2018.

	Net Position	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<u>Assets</u>		
Current and other assets	\$ 45,598,492	\$ 68,189,437
Net OPEB asset	1,316,962	-
Capital assets, net	<u>45,131,273</u>	<u>27,512,981</u>
Total assets	<u>92,046,727</u>	<u>95,702,418</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	213,333	240,568
Pension	6,326,348	7,819,021
OPEB	<u>332,855</u>	<u>262,097</u>
Total deferred outflows of resources	<u>6,872,536</u>	<u>8,321,686</u>
<u>Liabilities</u>		
Current liabilities	2,090,093	3,793,432
Long-term liabilities:		
Due within one year	826,549	5,198,725
Due in more than one year:		
Net pension liability	23,649,105	25,080,805
Net OPEB liability	2,751,707	5,843,940
Other amounts	<u>18,206,472</u>	<u>18,462,516</u>
Total liabilities	<u>47,523,926</u>	<u>58,379,418</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	7,159,215	7,464,735
Pension	1,402,652	813,537
OPEB	<u>2,351,201</u>	<u>672,328</u>
Total deferred inflows of resources	<u>10,913,068</u>	<u>8,950,600</u>
<u>Net Position</u>		
Net investment in capital assets	33,209,316	17,531,747
Restricted	16,037,709	32,122,630
Unrestricted (deficit)	<u>(8,764,756)</u>	<u>(12,960,291)</u>
Total net position	<u>\$ 40,482,269</u>	<u>\$ 36,694,086</u>

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability/asset. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities/assets but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the School District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40,482,269. Of this total, a balance of (\$8,764,756) is unrestricted in use.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

At year-end, capital assets represented 49.03% of total assets. Capital assets include land, construction in progress, land improvements, buildings and building improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2019, was \$33,209,316. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the School District's net position, \$16,037,709 represents resources that are subject to external restriction on how they may be used. The largest balance relates to capital projects for \$14,352,103 which is restricted primarily to assist in building new School District buildings. The remaining balance of unrestricted net position is a balance of (\$8,764,756).

The table below shows the change in net position for fiscal years 2019 and 2018.

	Change in Net Position	
	Governmental Activities	Governmental Activities
	<u>2019</u>	<u>2018</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,582,334	\$ 1,285,097
Operating grants and contributions	5,274,017	4,794,798
General revenues:		
Property taxes	8,613,682	7,916,830
Payment in lieu of taxes	-	12,225
Grants and entitlements not restricted to specific programs	13,374,370	12,939,962
Investment earnings	851,410	540,604
Gifts and donations	-	30,000
Other	<u>47,627</u>	<u>22,289</u>
Total revenues	<u>29,743,440</u>	<u>27,541,805</u>

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

	Change in Net Position (Continued)	
	Governmental	Governmental
	Activities	Activities
	<u>2019</u>	<u>2018</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	8,064,068	4,369,328
Special	4,418,190	2,768,301
Vocational	101,627	146
Student intervention services	-	134,299
Other	1,812,450	-
Support services:		
Pupil	1,483,162	1,130,583
Instructional staff	1,351,299	860,058
Board of education	68,327	53,707
Administration	2,390,382	1,553,371
Fiscal	480,493	543,139
Business	18,841	6,745
Operations and maintenance	1,979,555	1,639,678
Pupil transportation	1,088,718	1,039,651
Central	161,717	156,354
Operations of non-instructional services:		
Other non-instructional services	11,632	-
Food service operations	960,310	1,034,925
Extracurricular activities	764,145	296,792
Interest and fiscal charges	<u>702,826</u>	<u>740,956</u>
Total expenses	<u>25,857,742</u>	<u>16,328,033</u>
Extraordinary item - impairment loss	<u>(97,515)</u>	<u>-</u>
Change in net position	3,788,183	11,213,772
Net position at beginning of year	<u>36,694,086</u>	<u>25,480,314</u>
Net position at end of year	<u>\$ 40,482,269</u>	<u>\$ 36,694,086</u>

Governmental Activities

Net position of the School District's governmental activities increased \$3,788,183. Total governmental expenses of \$25,857,742 were offset by program revenues of \$6,856,351 and general revenues of \$22,887,089. Program revenues supported 26.52% of the total governmental expenses.

Overall, expenses of the governmental activities increased \$9,529,709 or 58.36%. This increase is primarily the result of increases in pension expense between years.

On an accrual basis, the School District reported \$2,410,387 and (\$7,374,485) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the School District reported (\$2,729,519) and (\$802,786) in OPEB expense for fiscal year 2019 and 2018, respectively. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. The School District's total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expenses.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

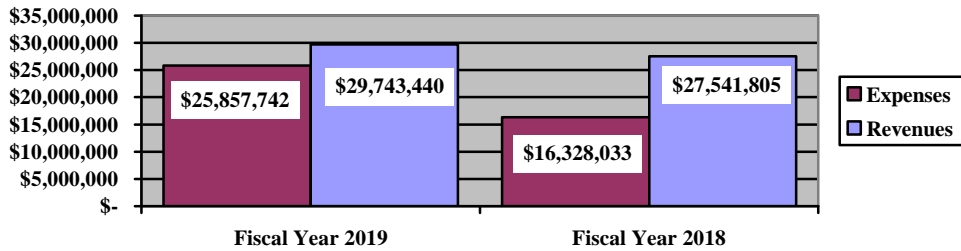
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 73.93% of total governmental revenue.

The largest expense of the School District is for instructional programs. Instruction expenses totaled \$14,396,335 or 55.68% of total governmental expenses for fiscal year 2019.

The graph below presents the School District's governmental activities revenue and expenses for fiscal year 2019 and 2018.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and operating grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

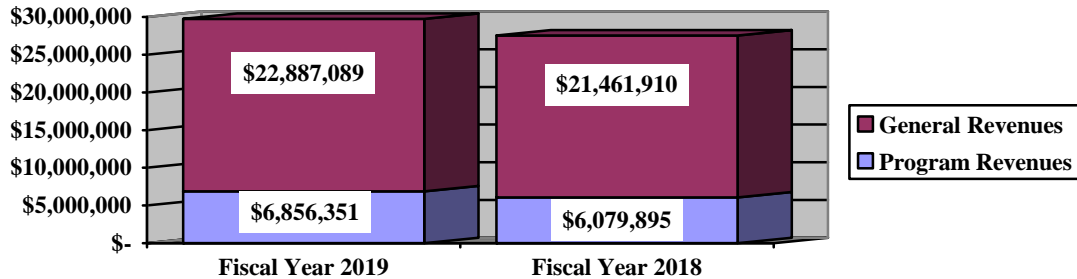
Governmental Activities

	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
Program expenses				
Instruction:				
Regular	\$ 8,064,068	\$ 6,525,886	\$ 4,369,328	\$ 2,739,579
Special	4,418,190	1,668,752	2,768,301	1,004,589
Vocational	101,627	82,756	146	(16,263)
Student intervention services	-	-	134,299	384
Other	1,812,450	1,493,579	-	-
Support services:				
Pupil	1,483,162	1,446,894	1,130,583	1,093,392
Instructional staff	1,351,299	1,086,894	860,058	532,139
Board of education	68,327	68,327	53,707	53,707
Administration	2,390,382	2,354,105	1,553,371	1,482,446
Fiscal	480,493	480,493	543,139	543,139
Business	18,841	18,841	6,745	6,745
Operations and maintenance	1,979,555	1,921,092	1,639,678	1,639,678
Pupil transportation	1,088,718	427,402	1,039,651	358,553
Central	161,717	161,717	156,354	156,354
Operations of non-instructional services:				
Other non-instructional services	11,632	2,328	-	-
Food service operations	960,310	(70,321)	1,034,925	(165,759)
Extracurricular activities	764,145	629,820	296,792	78,499
Interest and fiscal charges	<u>702,826</u>	<u>702,826</u>	<u>740,956</u>	<u>740,956</u>
Total expenses	<u>\$ 25,857,742</u>	<u>\$ 19,001,391</u>	<u>\$ 16,328,033</u>	<u>\$ 10,248,138</u>

The dependence upon tax and other general revenues for governmental activities is apparent; 67.87% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.48%. The School District's taxpayers and State funding are the primary support for School District's students.

The graph below presents the School District's governmental activities revenue for fiscal year 2019 and 2018.

Governmental Activities - General and Program Revenues



**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The School District's Funds

The School District's governmental funds reported a combined fund balance of \$32,375,815, which is more than last year's total of \$37,640,703. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	<u>Fund Balance</u> <u>June 30, 2019</u>	<u>Fund Balance</u> <u>June 30, 2018</u>	<u>Change</u>	<u>Change</u>
General	\$ 13,411,264	\$ 16,663,350	\$ (3,252,086)	(19.52) %
Classroom Facilities	14,814,076	15,772,792	(958,716)	(6.08) %
Nonmajor Governmental Funds	<u>4,150,475</u>	<u>5,204,561</u>	<u>(1,054,086)</u>	(20.25) %
Total	<u>\$ 32,375,815</u>	<u>\$ 37,640,703</u>	<u>\$ (5,264,888)</u>	(13.99) %

General Fund

The School District's general fund balance decreased \$3,252,086 or 19.52%. This is primarily due to the School District paying off its lease agreement.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 7,340,887	\$ 6,935,172	\$ 405,715	5.85 %
Tuition	1,298,938	961,610	337,328	35.08 %
Earnings on investments	570,154	367,763	202,391	55.03 %
Intergovernmental	15,059,453	14,549,023	510,430	3.51 %
Other revenues	<u>160,997</u>	<u>205,145</u>	<u>(44,148)</u>	(21.52) %
Total	<u>\$ 24,430,429</u>	<u>\$ 23,018,713</u>	<u>\$ 1,411,716</u>	6.13 %
<u>Expenditures</u>				
Instruction	\$ 13,447,217	\$ 12,394,011	\$ 1,053,206	8.50 %
Support services	9,211,315	8,597,508	613,807	7.14 %
Operation of non-instructional services	1,043	-	1,043	100.00 %
Extracurricular activities	487,340	441,025	46,315	10.50 %
Capital outlay	5,000	220,497	(215,497)	(97.73) %
Debt service	<u>4,530,600</u>	<u>26,602</u>	<u>4,503,998</u>	16,931.05 %
Total	<u>\$ 27,682,515</u>	<u>\$ 21,679,643</u>	<u>\$ 6,002,872</u>	27.69 %

Revenues of the general fund increased \$1,411,716 or 6.13%. The largest increases were in the areas of property taxes, tuition, earnings on investments and intergovernmental. The increase in property taxes can be attributed to the difference in amounts available for advance from the County Auditor at year-end. Tuition increased due to an increase in open enrollment tuition compared to the previous fiscal year. The increase in earnings on investments is the result of an increase of interest rates earned on the School District's investments. Intergovernmental revenue increased due to an increase in overall State foundation funding and an increase in Medicaid revenue.

Expenditures of the general fund increased \$6,002,872 or 27.69%. This large increase was primarily the result of an increase in debt service expenditures. This was the result of the School District paying off its lease agreement principal payment of \$4,500,000 for which the School District had previous accumulated funds in an escrow account. The increases in instruction and support services are due to increases in wage and benefit costs compared to the previous fiscal year.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Classroom Facilities Fund

During fiscal year 2019, the classroom facilities fund's had revenues of \$15,743,189 and expenditures of \$16,701,905. The fund balance of the classroom facilities fund decreased \$958,716 from \$15,772,792 to \$14,814,076. This decrease is the result of costs related to the School District's Ohio Facilities Construction Commission (OFCC).

General Fund Budgeting Highlights

The School District's budget is prepared per Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During fiscal year 2019, the School District did not amend its general fund budget. For the general fund, original and final budgeted revenues and other financing sources were \$30,445,261. Actual revenues and other financing sources for fiscal year 2019 were \$24,333,027, which is \$6,112,234 less than final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures including other financing uses) were \$23,830,746 and the final appropriations were \$23,830,746. The actual budget basis expenditures and other financing uses for fiscal year 2019 totaled \$23,165,279, which was \$665,467 less than the final budget appropriations, due to controls on spending.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the School District had \$45,131,273 invested in land, construction in progress, land improvements, buildings and building improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2019 balances compared to June 30, 2018:

**Capital Assets at June 30, 2019
(Net of Depreciation)**

	Governmental Activities	
	2019	2018
Land	\$ 1,966,576	\$ 1,966,576
Construction in progress	35,803,173	17,609,743
Land improvements	658,848	723,025
Building and building improvements	5,813,266	6,461,290
Furniture and equipment	365,608	419,244
Vehicles	523,802	333,103
Total	\$ 45,131,273	\$ 27,512,981

The overall increase in capital assets of \$17,618,292 is due to capital outlays of \$18,497,610 exceeding depreciation expense of \$781,803 and disposals of \$97,515, net of accumulated depreciation, in the fiscal year.

See Note 8 to the basic financial statements for additional information on the School District's capital assets.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Debt Administration

At June 30, 2019, the School District had \$17,527,233 in general obligation bonds outstanding. Of this total, \$503,498 is due within one year and \$17,023,735 is due in more than one year. The following table summarizes the outstanding debt at year end.

Outstanding Debt, at Fiscal Year End

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
School improvement bonds	\$ 17,527,233	\$ 18,040,040
Capital lease obligations	<u>-</u>	<u>4,500,000</u>
Total	<u>\$ 17,527,233</u>	<u>\$ 22,540,040</u>

See Note 10 to the basic financial statements for additional information on the School District's long-term obligations.

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 community overwhelmingly approved a bond issue in May of 2015 for the construction of a new PK-12 school building, which will enable the School District to receive \$41,809,672 in State funds for the project. The passage of the bond issue will help to solidify the financial stability of the School District going forward. It will alleviate the burden of costly repairs to older buildings and out of date designs. It will help to enhance the quality of teaching and learning and provide updated health and safety designs to aid in student achievement.

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, and investors and creditors with a general overview of the School District's finances and to show that the School District is accountable for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jennifer Ashbaugh, Treasurer, at Northridge Local School District, 2008 Timber Lane, Dayton, Ohio 45414, or email at jashbaugh@northridgeschools.org.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 28,762,636
Receivables:	
Property taxes	8,930,130
Accounts.	7,134
Accrued interest	31,269
Intergovernmental	7,818,254
Prepayments	41,040
Materials and supplies inventory.	3,189
Inventory held for resale.	4,840
Net OPEB asset	1,316,962
Capital assets:	
Nondepreciable capital assets	37,769,749
Depreciable capital assets, net.	7,361,524
Capital assets, net	45,131,273
Total assets.	92,046,727
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	213,333
Pension	6,326,348
OPEB	332,855
Total deferred outflows of resources	6,872,536
 Liabilities:	
Accounts payable.	220,393
Accrued wages and benefits payable	1,396,643
Intergovernmental payable	76,648
Pension and postemployment benefits payable	344,920
Accrued interest payable	51,489
Long-term liabilities:	
Due within one year.	826,549
Due in more than one year:	
Net pension liability	23,649,105
Net OPEB liability	2,751,707
Other amounts due in more than one year	18,206,472
Total liabilities	47,523,926
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	7,159,215
Pension	1,402,652
OPEB	2,351,201
Total deferred inflows of resources	10,913,068
 Net position:	
Net investment in capital assets	33,209,316
Restricted for:	
Capital projects	14,352,103
Set-Asides	52,637
Classroom facilities maintenance	340,460
Debt service.	336,141
State funded programs.	14,400
Federally funded programs	9,645
Student activities	1,902
Food service	930,421
Unrestricted (deficit)	(8,764,756)
Total net position.	\$ 40,482,269

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 8,064,068	\$ 1,138,021	\$ 400,161	\$ (6,525,886)
Special	4,418,190	180,069	2,569,369	(1,668,752)
Vocational	101,627	-	18,871	(82,756)
Other	1,812,450	-	318,871	(1,493,579)
Support services:				
Pupil.	1,483,162	-	36,268	(1,446,894)
Instructional staff	1,351,299	-	264,405	(1,086,894)
Board of education	68,327	-	-	(68,327)
Administration.	2,390,382	-	36,277	(2,354,105)
Fiscal.	480,493	-	-	(480,493)
Business.	18,841	-	-	(18,841)
Operations and maintenance	1,979,555	58,463	-	(1,921,092)
Pupil transportation.	1,088,718	6,874	654,442	(427,402)
Central	161,717	-	-	(161,717)
Operation of non-instructional services:				
Other non-instructional services	11,632	-	9,304	(2,328)
Food service operations	960,310	68,452	962,179	70,321
Extracurricular activities.	764,145	130,455	3,870	(629,820)
Interest and fiscal charges	702,826	-	-	(702,826)
Total governmental activities	\$ 25,857,742	\$ 1,582,334	\$ 5,274,017	(19,001,391)
 General revenues:				
Property taxes levied for:				
General purposes				7,428,974
Debt service.				1,115,776
Classroom facilities maintenance				68,932
Grants and entitlements not restricted to specific programs				13,374,370
Investment earnings				851,410
Miscellaneous				47,627
Total general revenues				22,887,089
Extraordinary item:				
Impairment loss on tornado damage				(97,515)
Total general revenues and extraordinary item				22,789,574
Change in net position				3,788,183
Net position at beginning of year				36,694,086
Net position at end of year.				\$ 40,482,269

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 14,685,818	\$ 9,898,577	\$ 4,125,604	\$ 28,709,999
Receivables:				
Property taxes.	7,608,365	-	1,321,765	8,930,130
Accounts	4,395	-	2,739	7,134
Accrued interest	31,035	162	72	31,269
Interfund loans	142,943	-	-	142,943
Intergovernmental.	192,921	7,261,798	363,535	7,818,254
Prepayments.	40,530	-	510	41,040
Materials and supplies inventory.	-	-	3,189	3,189
Inventory held for resale.	-	-	4,840	4,840
Restricted assets:				
Equity in pooled cash and cash equivalents	52,637	-	-	52,637
Total assets	<u>\$ 22,758,644</u>	<u>\$ 17,160,537</u>	<u>\$ 5,822,254</u>	<u>\$ 45,741,435</u>
Liabilities:				
Accounts payable	\$ 199,011	\$ 14,741	\$ 6,641	\$ 220,393
Accrued wages and benefits payable	1,230,706	-	165,937	1,396,643
Compensated absences payable	236,843	-	22,831	259,674
Intergovernmental payable	74,658	-	1,990	76,648
Pension and postemployment benefits payable.	308,336	-	36,584	344,920
Interfund loans payable.	-	-	142,943	142,943
Total liabilities.	<u>2,049,554</u>	<u>14,741</u>	<u>376,926</u>	<u>2,441,221</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	6,089,554	-	1,069,661	7,159,215
Delinquent property tax revenue not available.	1,161,708	-	194,594	1,356,302
Intergovernmental revenue not available.	32,543	2,331,720	30,598	2,394,861
Accrued interest not available.	14,021	-	-	14,021
Total deferred inflows of resources	<u>7,297,826</u>	<u>2,331,720</u>	<u>1,294,853</u>	<u>10,924,399</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	3,189	3,189
Prepays.	40,530	-	510	41,040
Unclaimed funds	784	-	-	784
Restricted:				
Debt service	-	-	958,026	958,026
Capital improvements	-	14,814,076	1,844,373	16,658,449
Classroom facilities maintenance	-	-	329,347	329,347
Food service operations	-	-	968,188	968,188
Targeted academic assistance	-	-	88,956	88,956
Other purposes.	-	-	14,400	14,400
Extracurricular activities	-	-	1,902	1,902
Set asides	52,637	-	-	52,637
Assigned:				
Student instruction	36,416	-	-	36,416
Student and staff support.	195,350	-	-	195,350
Extracurricular activities	34,295	-	-	34,295
Unassigned (deficit)	13,051,252	-	(58,416)	12,992,836
Total fund balances	<u>13,411,264</u>	<u>14,814,076</u>	<u>4,150,475</u>	<u>32,375,815</u>
Total liabilities, deferred inflows and fund balances \$	<u>22,758,644</u>	<u>17,160,537</u>	<u>5,822,254</u>	<u>45,741,435</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Total governmental fund balances		\$	32,375,815
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			45,131,273
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,356,302	
Accrued interest receivable		14,021	
Intergovernmental receivable		2,394,861	
Total			3,765,184
Unamortized premiums on bonds issued are not recognized in the funds.			(628,735)
Unamortized amounts on refundings are not recognized in the funds.			213,333
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(51,489)
The net pension liability and net OPEB liability/asset are not due and payable in the current period; therefore, liability/asset and related deferred inflows are not reported in governmental funds.			
Deferred outflows - pension		6,326,348	
Deferred inflows - pension		(1,402,652)	
Net pension liability		(23,649,105)	
Deferred outflows - OPEB		332,855	
Deferred inflows - OPEB		(2,351,201)	
Net OPEB asset		1,316,962	
Net OPEB liability		(2,751,707)	
Total			(22,178,500)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(16,515,000)	
Accretion on capital appreciation bonds		(258,498)	
Capital appreciation bonds		(125,000)	
Compensated absences		(1,246,114)	
Total			(18,144,612)
Net position of governmental activities		\$	40,482,269

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 7,340,887	\$ -	\$ 1,170,009	\$ 8,510,896
Tuition.	1,298,938	-	-	1,298,938
Transportation fees.	6,874	-	-	6,874
Earnings on investments	570,154	203,002	73,134	846,290
Charges for services	-	-	68,452	68,452
Extracurricular.	28,881	-	98,674	127,555
Classroom materials and fees	19,152	-	-	19,152
Rental income	58,463	-	-	58,463
Contributions and donations	19,774	-	3,641	23,415
Contract services.	-	-	2,900	2,900
Other local revenues	27,853	-	229	28,082
Intergovernmental - state	14,711,839	15,540,187	412,674	30,664,700
Intergovernmental - federal	347,614	-	3,371,904	3,719,518
Total revenues	<u>24,430,429</u>	<u>15,743,189</u>	<u>5,201,617</u>	<u>45,375,235</u>
Expenditures:				
Current:				
Instruction:				
Regular.	8,465,510	-	391,157	8,856,667
Special	3,459,475	-	1,375,610	4,835,085
Other	1,522,232	-	311,976	1,834,208
Support services:				
Pupil	1,541,698	-	36,268	1,577,966
Instructional staff	962,219	-	290,712	1,252,931
Board of education	47,307	-	-	47,307
Administration	2,793,260	-	36,277	2,829,537
Fiscal	496,451	-	22,717	519,168
Business.	18,841	-	-	18,841
Operations and maintenance	1,859,973	-	-	1,859,973
Pupil transportation	1,327,711	-	-	1,327,711
Central	163,855	-	-	163,855
Operation of non-instructional services:				
Other non-instructional services	1,043	-	10,589	11,632
Food service operations.	-	-	1,002,722	1,002,722
Extracurricular activities	487,340	-	106,951	594,291
Facilities acquisition and construction.	5,000	16,701,905	1,491,525	18,198,430
Debt service:				
Principal retirement.	4,500,000	-	270,000	4,770,000
Interest and fiscal charges	30,600	-	649,199	679,799
Accreted interest.	-	-	260,000	260,000
Total expenditures	<u>27,682,515</u>	<u>16,701,905</u>	<u>6,255,703</u>	<u>50,640,123</u>
Net change in fund balances	(3,252,086)	(958,716)	(1,054,086)	(5,264,888)
Fund balances at beginning of year.	<u>16,663,350</u>	<u>15,772,792</u>	<u>5,204,561</u>	<u>37,640,703</u>
Fund balances at end of year.	<u>\$ 13,411,264</u>	<u>\$ 14,814,076</u>	<u>\$ 4,150,475</u>	<u>\$ 32,375,815</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$	(5,264,888)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 18,497,610	
Current year depreciation	(781,803)	
Total		17,715,807
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(97,515)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	102,786	
Earnings on investments	5,120	
Intergovernmental	(15,706,179)	
Total		(15,598,273)
Repayment of bonds and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
General obligation bonds	115,000	
Lease purchase agreement	4,500,000	
Capital appreciation bonds	155,000	
Accretion on capital appreciation bonds	260,000	
Total		5,030,000
Accretion and amortization of bond premiums, the deferred loss on refunding debt, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities. related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Amortization of bond premiums	68,658	
Accretion on capital appreciation bonds	(85,851)	
Change in accrued interest payable	21,401	
Deferred charges on refundings	(27,235)	
Total		(23,027)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,760,299
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,410,387)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		71,561
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		
		2,729,519
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(124,913)
Change in net position of governmental activities	\$	3,788,183

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 8,956,708	\$ 8,956,708	\$ 7,181,519	\$ (1,775,189)
Tuition	1,620,020	1,620,020	1,298,938	(321,082)
Transportation fees	8,573	8,573	6,874	(1,699)
Earnings on investments	535,969	535,969	429,742	(106,227)
Classroom materials and fees	23,886	23,886	19,152	(4,734)
Rental income	73,855	73,855	59,217	(14,638)
Contributions and donations	1,328	1,328	1,065	(263)
Other local revenues	413,807	413,807	331,792	(82,015)
Intergovernmental - state	18,485,942	18,485,942	14,744,003	(3,741,939)
Intergovernmental - federal	276,596	276,596	221,776	(54,820)
Total revenues	30,396,684	30,396,684	24,294,078	(6,102,606)
Expenditures:				
Current:				
Instruction:				
Regular	7,592,254	7,244,486	8,294,959	(1,050,473)
Special	4,618,277	4,535,662	3,354,409	1,181,253
Other	1,371,131	1,384,235	1,540,126	(155,891)
Support services:				
Pupil	1,982,047	1,867,074	1,522,776	344,298
Instructional staff	719,650	948,587	910,098	38,489
Board of education	34,022	32,049	50,455	(18,406)
Administration	2,633,926	3,222,256	2,783,302	438,954
Fiscal	543,494	511,968	621,323	(109,355)
Business	10,795	10,169	10,947	(778)
Operations and maintenance	1,922,564	1,811,041	1,929,332	(118,291)
Pupil transportation	1,305,751	1,230,008	1,434,318	(204,310)
Central	201,266	189,591	178,013	11,578
Other operation of non-instructional services	1,219	1,149	1,043	106
Extracurricular activities	425,587	400,900	526,578	(125,678)
Facilities acquisition and construction	216,846	204,268	7,600	196,668
Debt service:				
Interest and fiscal charges	26,162	24,644	-	24,644
Total expenditures	23,604,991	23,618,087	23,165,279	452,808
Excess of revenues over expenditures	6,791,693	6,778,597	1,128,799	(5,649,798)
Other financing sources (uses):				
Refund of prior year's expenditures	48,164	48,164	38,618	(9,546)
Payment to escrow agency	(225,755)	(212,659)	-	212,659
Sale of capital assets	413	413	331	(82)
Total other financing sources (uses)	(177,178)	(164,082)	38,949	203,031
Net change in fund balance	6,614,515	6,614,515	1,167,748	(5,446,767)
Fund balance at beginning of year (restated)	12,544,368	12,544,368	12,544,368	-
Prior year encumbrances appropriated	584,123	584,123	584,123	-
Fund balance at end of year	\$ 19,743,006	\$ 19,743,006	\$ 14,296,239	\$ (5,446,767)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 6,460	\$ 54,931
Total assets.	<u>6,460</u>	<u>\$ 54,931</u>
Liabilities:		
Due to students.	-	\$ 54,931
Total liabilities	<u>-</u>	<u>\$ 54,931</u>
Net position:		
Held in trust for scholarships	6,460	
Total net position.	<u>\$ 6,460</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust
	Scholarship
Additions:	
Contributions and donations.	\$ 6,235
Total additions.	6,235
 Deductions:	
Payments in accordance with trust agreements. . .	4,118
Change in net position	2,117
Net position at beginning of year.	4,343
Net position at end of year	\$ 6,460

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the 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; or (3) 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 (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the School District:

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs. The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School paid META \$39,538 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Interim Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 153 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 2019, the School District paid \$58,600 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.

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 2019. To obtain financial information, write to the Miami Valley Career Technology Center, Matt Huffman, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PUBLIC ENTITY RISK POOLS

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, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

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.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following are the School District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom facilities fund - The classroom facilities fund accounts for and reports restricted monies received and expended in connection with constructing improvements, renovations, and additions to the School District's buildings, including equipment, furniture, and fixtures.

Other governmental funds of the School District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

Proprietary funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The School District has no proprietary funds.

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 therefore not available to support the School District's own programs. The School District's only trust fund is a private-purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund primarily accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the School District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current 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 economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange 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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange transactions must also be available before it can be recognized.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, see Notes 13 and 14 for deferred outflows of resources related to the School District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources 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, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 13 and 14 for deferred inflows of resources related to the School District's net pension liability and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts 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.

F. Cash and Cash Equivalents

To improve cash management, 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 the School District student managed activities. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2019, the School District invested in commercial paper, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, negotiable certificates of deposit, U.S. Treasury notes, U.S. government money market accounts and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments, except for STAR Ohio and commercial paper are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than a year.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2019 amounted to \$570,154, which includes \$75,099 assigned from other School District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the School District's investment account at fiscal year-end is provided in Note 4.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. 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.

H. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the asset.

I. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their fair value. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method which means that the costs of inventory items are recorded as an expenditure in the governmental funds when consumed.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food, purchased food and non-food supplies.

J. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District's capitalization threshold is \$1,500 for general capital assets. 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	15 - 20 years
Buildings and improvements	20 - 40 years
Furniture and equipment	6 - 15 years
Vehicles	8 years

K. Bond Issuance Cost/Unamortized Bond Premium and Discount/Unamortized Deferred Charges on Debt Refunding

On fund financial statements and the government-wide financial statements, issuance costs are expensed/expended in the fiscal year they occur.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the Statement of Net Position is presented in Note 10.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Position.

M. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability as the benefits are earned if the employee’s 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.” A liability for sick leave is based on the sick leave accumulated at the Balance Sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. 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 absence liability is reported on the government-wide financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and 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 year. Bonds and loans are recognized on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net pension is not sufficient for payment of those benefits.

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education (the highest level of decision-making authority). 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 nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

P. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Q. Estimates

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

R. Interfund Activity

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

Interfund activity between governmental funds is eliminated in the Statement of Activities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

T. Fair Value

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2019, the School District reported an extraordinary loss of \$97,515 due to tornado damage. See Note 19 for further details.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the School District has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title VI-B	\$ 2,823
Miscellaneous Federal Grants	55,593

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The School District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2018 is as follows:

Budgetary Basis

	<u>General Fund</u>
Balance at June 30, 2018	\$ 12,577,343
Funds budgeted elsewhere	<u>(32,975)</u>
Restated balance at July 1, 2018	<u>\$ 12,544,368</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the 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 which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies 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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by the financial institutions' participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure repayment of all public monies deposited in the financial institution.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the School District had \$2,500 in undeposited cash on hand which is included on the financial statements of the School District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all School District deposits was \$1,619,019 and the bank balance of all School District deposits was \$2,151,481. Of the bank balance, \$471,440 was covered by the FDIC and \$1,680,041 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2019, some of the School District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

C. Investments

As of June 30, 2019, the School District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair value:</i>						
Commerical paper	\$ 7,308,605	\$ 6,455,222	\$ 853,383	-	\$ -	\$ -
FFCB	999,814	-	-	-	-	999,814
FHLB	129,623	129,623	-	-	-	-
FHLMC	421,436	-	-	-	-	421,436
FNMA	442,784	-	-	343,148	-	99,636
Negotiable CDs	5,489,997	99,938	-	247,090	994,399	4,148,570
U.S. Treasury notes	249,092	249,092	-	-	-	-
U.S. Government money market	2,072,012	2,072,012	-	-	-	-
<i>Amortized cost:</i>						
STAR Ohio	10,089,145	10,089,145	-	-	-	-
Total	\$ 27,202,508	\$ 19,095,032	\$ 853,383	\$ 590,238	\$ 994,399	\$ 5,669,456

The weighted average of maturity of investments is 0.82 years.

The School District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The School District's investments in commercial paper, federal agency securities (FFCB, FHLB, FHLMC, FNMA), negotiable CD's and U.S. Treasury notes are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. The School District's investments in commercial paper were rated P-1 by Moody's Investor Services. The School District investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard and Poor's has assigned STAR Ohio and the U.S. government money market accounts an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The School District's investments in negotiable CD's are not rated.

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair value:</i>		
Commercial paper	\$ 7,308,605	26.87%
FFCB	999,814	3.68%
FHLB	129,623	0.48%
FHLMC	421,436	1.55%
FNMA	442,784	1.63%
Negotiable CDs	5,489,997	20.18%
U.S. Treasury notes	249,092	0.92%
U.S. Government money market	2,072,012	7.62%
<i>Amortized cost:</i>		
STAR Ohio	<u>10,089,145</u>	<u>37.07%</u>
Total	<u>\$ 27,202,508</u>	<u>100.00%</u>

D. Reconciliation of Cash and Investments to the Financial Statements

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the financial statements as of June 30, 2019:

<u>Cash and investments per note</u>	
Cash on hand	\$ 2,500
Carrying amount of deposits	1,619,019
Investments	<u>27,202,508</u>
Total	<u>\$ 28,824,027</u>
<u>Cash and investments per financial statements</u>	
Governmental activities	\$ 28,762,636
Private-purpose trust fund	6,460
Agency fund	<u>54,931</u>
Total	<u>\$ 28,824,027</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2019, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 142,943</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund loans between governmental funds have been eliminated on the government-wide basic financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently 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, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$357,103 in the general fund, \$54,219 in the bond retirement fund (a nonmajor governmental fund) and \$3,291 in the classroom facility maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$197,735 in the general fund, \$31,465 in the bond retirement fund (a nonmajor governmental fund) and \$1,904 in the classroom facility maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 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 of resources.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 136,604,060	96.23	\$ 136,915,580	96.16
Public utility personal	<u>5,346,010</u>	<u>3.77</u>	<u>5,474,460</u>	<u>3.84</u>
Total	<u>\$ 141,950,070</u>	<u>100.00</u>	<u>\$ 142,390,040</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$76.42		\$76.42	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2019 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the Statement of Net Position follows:

Governmental activities:	
Property taxes	\$ 8,930,130
Accounts	7,134
Accrued interest	31,269
Intergovernmental:	
Medicaid	125,838
SERS refund	31,867
State foundation	2,673
Bureau of Workers' Compensation	33,522
Ohio Facilities Construction Commission	7,261,798
Title I	317,992
Title IV	<u>44,564</u>
Total	<u>\$ 16,786,787</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2019</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,966,576	\$ -	\$ -	\$ 1,966,576
Construction in progress	17,609,743	18,193,430	-	35,803,173
Total capital assets, not being depreciated	<u>19,576,319</u>	<u>18,193,430</u>	<u>-</u>	<u>37,769,749</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,342,499	-	-	2,342,499
Building and improvements	19,706,062	-	(171,042)	19,535,020
Furniture and equipment	4,841,091	15,047	-	4,856,138
Vehicles	1,421,793	289,133	-	1,710,926
Total capital assets, being depreciated	<u>28,311,445</u>	<u>304,180</u>	<u>(171,042)</u>	<u>28,444,583</u>
<i>Accumulated depreciation:</i>				
Land improvements	(1,619,474)	(64,177)	-	(1,683,651)
Building and improvements	(13,244,772)	(550,509)	73,527	(13,721,754)
Furniture and equipment	(4,421,847)	(68,683)	-	(4,490,530)
Vehicles	(1,088,690)	(98,434)	-	(1,187,124)
Total accumulated depreciation	<u>(20,374,783)</u>	<u>(781,803)</u>	<u>73,527</u>	<u>(21,083,059)</u>
Total governmental activities capital assets, net	<u>\$ 27,512,981</u>	<u>\$ 17,715,807</u>	<u>\$ (97,515)</u>	<u>\$ 45,131,273</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 78,692
Special	412
Vocational	98
<u>Support services:</u>	
Pupil	16,521
Board of Education	23,750
Administration	1,111
Fiscal	392
Operations and maintenance	282,955
Pupil transportation	128,199
Central	8,661
<u>Operation of noninstructional services:</u>	
Food service operations	20,572
Extracurricular activities	220,440
Total depreciation expense	<u>\$ 781,803</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 9 - 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. During fiscal year 2019, the capital lease payable was paid off and there were no further obligations outstanding.

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2019, the following changes occurred in governmental activities long-term obligations.

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds:					
2012 school improvement					
refunding bonds:					
Serial bonds 2.00-3.00%	\$ 3,050,000	\$ -	\$ -	\$ 3,050,000	\$ -
Capital appreciation bonds 15.49-16.43%	280,000	-	(155,000)	125,000	125,000
Accretion on capital appreciation bonds	432,647	85,851	(260,000)	258,498	258,498
Premium on serial bonds	55,214	-	(6,251)	48,963	-
Premium on capital appreciation bonds	130,424	-	(46,031)	84,393	-
2015 school improvement premium on bonds	13,580,000	-	(115,000)	13,465,000	120,000
	<u>511,755</u>	<u>-</u>	<u>(16,376)</u>	<u>495,379</u>	<u>-</u>
Total general obligation bonds	<u>18,040,040</u>	<u>85,851</u>	<u>(598,658)</u>	<u>17,527,233</u>	<u>503,498</u>
Other long-term obligations:					
Net pension liability	25,080,805	-	(1,431,700)	23,649,105	-
Net OPEB liability	5,843,940	48,819	(3,141,052)	2,751,707	-
Total liability	<u>30,924,745</u>	<u>48,819</u>	<u>(4,572,752)</u>	<u>26,400,812</u>	<u>-</u>
Compensated absences	1,121,201	553,312	(168,725)	1,505,788	323,051
Capital lease	4,500,000	-	(4,500,000)	-	-
Total governmental activities long-term liabilities	<u>\$ 54,585,986</u>	<u>\$ 687,982</u>	<u>\$ (9,840,135)</u>	<u>\$ 45,433,833</u>	<u>\$ 826,549</u>

Detail on the net pension liability and OPEB liability/asset can be found in Notes 13 and 14, respectively. The School District pays obligations related to employee compensation from the fund benefitting from their services.

Compensated absences will be paid from the fund from which the employee is paid, primarily the general fund and food service fund (a nonmajor governmental fund).

Capital lease obligations will be paid from the general fund. See Note 9 for details.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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 2019 accretion amount was \$85,851. The capital appreciation bonds will mature December 1, 2019, in the amount of \$415,000.

School Improvement Bonds

On October 7, 2015, Northridge Local School District issued \$13,680,000 in school improvement bonds. These bonds were issued for a 34-year period with final maturity on December 1, 2049. The bonds were issued for the construction, improvements and renovations to the school facilities. The bonds have a variable interest rate from 2 to 5 percent. The bonds maturing on December 1, 2035 and thereafter are subject to a mandatory sinking fund redemption price of 100 percent of the principal amount plus accrued interest to the date of redemption. The bonds will be paid from the debt service fund. At the end of the fiscal year 2019, the School District has \$4,638,066 in unspent proceeds.

- B.** Principal and interest requirements to retire general obligation debt outstanding at June 30, 2019, are as follows:

Fiscal Year Ending June 30,	Serial Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 120,000	\$ 646,849	\$ 766,849	\$ 125,000	\$ 290,000	\$ 415,000
2021	535,000	638,224	1,173,224	-	-	-
2022	575,000	622,899	1,197,899	-	-	-
2023	590,000	607,469	1,197,469	-	-	-
2024	605,000	591,214	1,196,214	-	-	-
2025 - 2029	2,410,000	2,673,305	5,083,305	-	-	-
2030 - 2034	1,555,000	2,393,297	3,948,297	-	-	-
2035 - 2039	2,130,000	2,026,938	4,156,938	-	-	-
2040 - 2044	3,010,000	1,392,750	4,402,750	-	-	-
2045 - 2049	4,040,000	610,800	4,650,800	-	-	-
2050	<u>945,000</u>	<u>18,897</u>	<u>963,897</u>	-	-	-
Total	<u>\$ 16,515,000</u>	<u>\$ 12,222,642</u>	<u>\$ 28,737,642</u>	<u>\$ 125,000</u>	<u>\$ 290,000</u>	<u>\$ 415,000</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

Due to the magnitude of the school facilities construction project, the debt issued by the School District exceeded the overall debt margin as permitted by Ohio statute by approximately \$2.9 million. However, the School District was declared a "special needs" school district, as defined by Section 133.06 of the Ohio Revised Code, by the Superintendent of Public Instruction, therefore the School District's debt in excess of the overall debt margin was allowable.

NOTE 11 - OTHER EMPLOYEE BENEFITS

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.

NOTE 12 - 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 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.

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 fifty-five school districts. 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.

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NOTE 12 - RISK MANAGEMENT - (Continued)

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.

C. Workers' Compensation

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description - The School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$335,186 for fiscal year 2019. Of this amount, \$22,058 is reported as pension and postemployment benefits payable.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,425,113 for fiscal year 2019. Of this amount, \$262,898 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.09969250%	0.08050611%	
Proportion of the net pension liability current measurement date	<u>0.09827930%</u>	<u>0.08195683%</u>	
Change in proportionate share	<u>-0.00141320%</u>	<u>0.00145072%</u>	
Proportionate share of the net pension liability	\$ 5,628,638	\$ 18,020,467	\$ 23,649,105
Pension expense	\$ 483,661	\$ 1,926,726	\$ 2,410,387

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 308,693	\$ 415,968	\$ 724,661
Changes of assumptions	127,108	3,193,567	3,320,675
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	70,169	450,544	520,713
Contributions subsequent to the measurement date	<u>335,186</u>	<u>1,425,113</u>	<u>1,760,299</u>
Total deferred outflows of resources	<u>\$ 841,156</u>	<u>\$ 5,485,192</u>	<u>\$ 6,326,348</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 117,685	\$ 117,685
Net difference between projected and actual earnings on pension plan investments	155,952	1,092,744	1,248,696
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	36,271	-	36,271
Total deferred inflows of resources	\$ 192,223	\$ 1,210,429	\$ 1,402,652

\$1,760,299 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ 438,324	\$ 1,741,195	\$ 2,179,519
2021	107,968	1,138,478	1,246,446
2022	(184,716)	155,832	(28,884)
2023	(47,829)	(185,855)	(233,684)
Total	\$ 313,747	\$ 2,849,650	\$ 3,163,397

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 7,928,360	\$ 5,628,638	\$ 3,700,474

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation**</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$ 26,316,519	\$ 18,020,467	\$ 10,998,984

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$59,147.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$71,561 for fiscal year 2019. Of this amount, \$59,964 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability/asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.10071360%	0.08050611%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.09918670%</u>	<u>0.08195683%</u>	
Change in proportionate share	<u>-0.00152690%</u>	<u>0.00145072%</u>	
Proportionate share of the net OPEB liability	\$ 2,751,707	\$ -	\$ 2,751,707
Proportionate share of the net OPEB asset	\$ -	\$ (1,316,962)	\$ (1,316,962)
OPEB expense	\$ 116,151	\$ (2,845,670)	\$ (2,729,519)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 44,917	\$ 153,823	\$ 198,740
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	62,554	62,554
Contributions subsequent to the measurement date	<u>71,561</u>	<u>-</u>	<u>71,561</u>
Total deferred outflows of resources	<u>\$ 116,478</u>	<u>\$ 216,377</u>	<u>\$ 332,855</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 76,731	\$ 76,731
Net difference between projected and actual earnings on pension plan investments	4,129	150,452	154,581
Changes of assumptions	247,221	1,794,467	2,041,688
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>78,201</u>	<u>-</u>	<u>78,201</u>
Total deferred inflows of resources	<u>\$ 329,551</u>	<u>\$ 2,021,650</u>	<u>\$ 2,351,201</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$71,561 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ (120,304)	\$ (323,623)	\$ (443,927)
2021	(96,477)	(323,623)	(420,100)
2022	(21,020)	(323,622)	(344,642)
2023	(19,265)	(289,454)	(308,719)
2024	(19,549)	(277,471)	(297,020)
Thereafter	(8,019)	(267,480)	(275,499)
Total	\$ (284,634)	\$ (1,805,273)	\$ (2,089,907)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$ 3,338,980	\$ 2,751,707	\$ 2,286,697
	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
School District's proportionate share of the net OPEB liability	\$ 2,220,123	\$ 2,751,707	\$ 3,455,620

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends		6 to 11% initial, 4.50% ultimate
	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation**</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
	School District's proportionate share of the net OPEB asset	\$ 1,128,760	\$ 1,316,962

	1% Decrease	Current Trend Rate	1% Increase
	School District's proportionate share of the net OPEB asset	\$ 1,466,209	\$ 1,316,962

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and Actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (f) Investments are recorded at fair value (GAAP basis) rather than cost (budgetary basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,167,748
Net adjustment for revenue accruals	87,921
Net adjustment for expenditure accruals	(4,886,333)
Net adjustment for other sources/uses	(38,949)
Funds budgeted elsewhere	(49,419)
Adjustment for encumbrances	466,946
GAAP basis	\$ (3,252,086)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund and unclaimed monies fund.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 16 - CONTINGENCIES

A. Grants

The School District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School District.

B. Litigation

The School District was not party to material legal proceedings.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2018-2019 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2019 Foundation funding for the District. The ODE enrollment adjustments did not result in a financial statement impact.

NOTE 17 - SET-ASIDES

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future 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 improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside balance June 30, 2018	\$ -	\$ 52,637
Current year set-aside requirement	283,736	-
Current year offsets	(64,798)	-
Prior year offset from bond proceeds	<u>(218,938)</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 52,637</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2019	<u>\$ -</u>	<u>\$ 52,637</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 17 - SET-ASIDES - (Continued)

Although the School District had offsets during the year that reduced the set-aside amount below zero for the capital improvements reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 18 - OTHER COMMITMENTS

A. Encumbrances

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 211,221
Classroom Facilities Fund	14,366,544
Nonmajor Governmental Funds	<u>457,562</u>
 Total	 <u>\$ 15,035,327</u>

B. Contractual Commitments

The following table provides a summary of the outstanding contractual commitments as of June 30, 2019:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Remaining On Contract</u>
K through 12 building project	<u>\$ 46,525,928</u>	<u>\$ 35,803,173</u>	<u>\$ 10,722,755</u>

NOTE 19 - IMPAIRMENT OF CAPITAL ASSETS

In May 2019, multiple tornados touched down in the School District causing significant damage to Grafton Elementary. Under GASB Statement, No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*", Grafton Elementary is considered to be permanently impaired and will no longer be used by the School District. The value of Grafton Elementary has been written down to a carrying amount of \$0 and the School District reported an impairment loss of \$97,515 during fiscal year 2019. Insurance recoveries related to tornado damage have not been determined as of the date of the report.

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REQUIRED SUPPLEMENTARY INFORMATION

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST SIX FISCAL YEARS			
	2019	2018	2017	2016
School District's proportion of the net pension liability	0.09827930%	0.09969250%	0.10007060%	0.09807130%
School District's proportionate share of the net pension liability	\$ 5,628,638	\$ 5,956,406	\$ 7,324,245	\$ 5,596,044
School District's covered payroll	\$ 3,292,422	\$ 4,107,686	\$ 2,975,971	\$ 2,950,171
School District's proportionate share of the net pension liability as a percentage of its covered payroll	170.96%	145.01%	246.11%	189.69%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.09657400%	0.09657400%
\$ 4,887,555	\$ 5,742,946
\$ 2,215,458	\$ 2,207,336
220.61%	260.18%
71.70%	65.52%

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST SIX FISCAL YEARS			
	2019	2018	2017	2016
School District's proportion of the net pension liability	0.08195683%	0.08050611%	0.08022192%	0.07863429%
School District's proportionate share net pension liability	\$ 18,020,467	\$ 19,124,399	\$ 26,852,693	\$ 21,732,218
School District's covered payroll	\$ 9,348,129	\$ 8,380,929	\$ 8,205,693	\$ 8,178,807
School District's proportionate share of net pension liability as a percentage of its covered payroll	192.77%	228.19%	327.24%	265.71%
Plan fiduciary net position as a percentage of the total pension liability	77.30%	75.30%	66.80%	72.10%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.07688117%	0.07688117%
\$ 18,700,161	\$ 22,275,510
\$ 7,878,071	\$ 7,070,508
237.37%	315.05%
74.70%	69.30%

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST SIX FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 335,186	\$ 444,477	\$ 575,076	\$ 416,636
Contributions in relation to the contractually required contribution	<u>(335,186)</u>	<u>(444,477)</u>	<u>(575,076)</u>	<u>(416,636)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 2,482,859	\$ 3,292,422	\$ 4,107,686	\$ 2,975,971
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
\$ 388,833	\$ 307,062
<u>(388,833)</u>	<u>(307,062)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 2,950,171	\$ 2,215,458
13.18%	13.86%

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,425,113	\$ 1,308,738	\$ 1,173,330	\$ 1,148,797
Contributions in relation to the contractually required contribution	<u>(1,425,113)</u>	<u>(1,308,738)</u>	<u>(1,173,330)</u>	<u>(1,148,797)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 10,179,379	\$ 9,348,129	\$ 8,380,929	\$ 8,205,693
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,145,033	\$ 1,024,149	\$ 919,166	\$ 991,146	\$ 1,188,148	\$ 1,190,441
<u>(1,145,033)</u>	<u>(1,024,149)</u>	<u>(919,166)</u>	<u>(991,146)</u>	<u>(1,188,148)</u>	<u>(1,190,441)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,178,807	\$ 7,878,071	\$ 7,070,508	\$ 7,624,200	\$ 9,139,600	\$ 9,157,238
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.09918670%	0.10071360%	0.10129280%
School District's proportionate share net OPEB liability	\$ 2,751,707	\$ 2,702,888	\$ 2,887,220
School District's covered payroll	\$ 3,292,422	\$ 4,107,686	\$ 2,975,971
School District's proportionate share of net OPEB liability as a percentage of its covered payroll	83.58%	65.80%	97.02%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/(ASSET)
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability/(asset)	0.08195683%	0.08050611%	0.08022192%
School District's proportionate share net OPEB liability/(asset)	\$ (1,316,962)	\$ 3,141,052	\$ 4,290,289
School District's covered payroll	\$ 9,348,129	\$ 8,380,929	\$ 8,205,693
School District's proportionate share of net OPEB liability/(asset) as a percentage of its covered payroll	(14.09)%	37.48%	52.28%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST SIX FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 71,561	\$ 67,748	\$ 52,804	\$ 50,749
Contributions in relation to the contractually required contribution	<u>(71,561)</u>	<u>(67,748)</u>	<u>(52,804)</u>	<u>(50,749)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 2,482,859	\$ 3,292,422	\$ 4,107,686	\$ 2,975,971
Contributions as a percentage of covered payroll	2.88%	2.06%	1.29%	1.71%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
\$ 76,227	\$ 52,038
<u>(76,227)</u>	<u>(52,038)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 2,950,171	\$ 2,215,458
2.58%	2.35%

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 10,179,379	\$ 9,348,129	\$ 8,380,929	\$ 8,205,693
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 78,781	\$ 70,705	\$ 76,242	\$ 91,396	\$ 91,572
-	(78,781)	(70,705)	(76,242)	(91,396)	(91,572)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,178,807	\$ 7,878,071	\$ 7,070,508	\$ 7,624,200	\$ 9,139,600	\$ 9,157,238
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and initial Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
Passed through Ohio Department of Education						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$258,416		\$258,416	
National School Lunch Program	10.555	N/A	632,810	\$69,608	632,810	\$69,608
Summer Food Service Program for Children	10.559	N/A	15,934		15,934	
Total Child Nutrition Cluster			<u>907,160</u>	<u>69,608</u>	<u>907,160</u>	<u>69,608</u>
Fresh Fruit and Vegetable Program	10.582	N/A	38,258	-	38,258	-
Total U.S. Department of Agriculture			<u>945,418</u>	<u>69,608</u>	<u>945,418</u>	<u>69,608</u>
U.S. Department of Education						
Passed through Ohio Department of Education						
Title I Grants to Local Educational Agencies	84.010	S010A180035	1,530,802	-	1,538,060	-
Student Support and Academic Enrichment Program	84.424	S424A180036	1,825	-	125,206	-
Passed through Milton Union Exempted Village School District						
Comprehensive Literacy Development	84.371	N/A	177,993		177,993	
Passed through Ohio Department of Education						
Special Education Cluster (IDEA)						
Special Education Grants to States	84.027	H027A180111	463,609	-	412,319	-
Total Special Education Cluster (IDEA)			<u>463,609</u>	<u>-</u>	<u>412,319</u>	<u>-</u>
Supporting Effective Instruction State Grants	84.367	S367A180034	133,462		133,462	-
Total U.S. Department of Education			<u>2,307,691</u>	<u>-</u>	<u>2,387,040</u>	<u>-</u>
Total Federal Financial Assistance			<u>3,253,109</u>	<u>\$69,608</u>	<u>\$3,332,458</u>	<u>\$69,608</u>

The accompanying notes are an integral part of this schedule.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Northridge Local School District (the School District's) under programs of the federal government for the fiscal year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - 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.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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
2008 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, each major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, (the School District) as of and for the fiscal year ended June 30, 2019, 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 11, 2020.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-002 to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 and 2019-003.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not subject the School District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2020

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Northridge Local School District
Montgomery County
2008 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's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Northridge Local School District's major federal programs for the fiscal year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies each of the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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 Special Education Cluster (IDEA)

As described in finding 2019-004 in the accompanying schedule of findings, the School District did not comply with requirements regarding equipment and real property management applicable to its Special Education Cluster (IDEA) major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, Northridge Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster (IDEA) for the fiscal year ended June 30, 2019.

Unmodified Opinion on the Other Major Federal Program

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 fiscal year ended June 30, 2019.

Other Matters

The School District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance 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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2019-004.

The School District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance 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 the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2020

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Special Education Cluster (IDEA) – Qualified Child Nutrition Cluster - Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (IDEA) Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2019-001

Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Rev. Code § 5705.39 states, in part, the total appropriations from each fund, “shall not exceed the total of the estimated resources available for expenditure therefrom.”

**FINDING NUMBER 2019-001
 (Continued)**

At June 30, 2019, the School District had appropriations in excess of estimated resources in the following funds.

Fund Name	Estimated Resources	Final Appropriations	Variance
School Improvements	\$1,719,945	\$4,204,465	(\$2,484,520)
Classroom Facilities	15,293,459	42,010,212	(26,716,753)
Part B IDEA	567	417,554	(416,987)
Title I	1,299,872	1,603,571	(303,699)
Title II-A	(14,749)	133,462	(148,211)

The School District should implement procedures to verify that the Board of Education does not approve appropriations in excess of County Auditor-approved estimated resources. Failure to limit appropriations by the amount of resources available could lead to deficit spending.

Official's Response:

See Corrective Action Plan on page 101.

FINDING NUMBER 2019-002

Material Weakness – Financial Statement Errors

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Due to lack of controls over the review of the financial statements, the School District's annual financial report contained the following errors which were material and have been adjusted in the accompanying financial statements and the School District's accounting system:

- The School District improperly posted a portion of tangible personal property loss reimbursement receipts collected for the Bond Retirement Fund to the General Fund. As a result, cash and intergovernmental revenue were overstated by \$31,089 in the General Fund and understated by the same amount in the Nonmajor Governmental Funds (Bond Retirement Fund).
- The School District improperly allocated homestead and rollback receipts between the General, Bond Retirement, and Classroom Facilities Maintenance Funds. As a result, cash and intergovernmental revenue were overstated by \$47,002 in the General Fund, understated by \$44,988 in the Other Governmental Funds (Bond Retirement Fund), and understated by \$2,014 in the Other Governmental Funds (Classroom Facilities Maintenance Funds).
- As a result of the adjustments above, the School District overstated net position: unrestricted by \$78,091 and understated net position: restricted for debt service and net position: classroom facilities maintenance by \$76,077 and \$2,014, respectively.

The School District should implement procedures to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

**FINDING NUMBER 2019-002
(Continued)**

Official's Response:

See Corrective Action Plan on page 101.

FINDING NUMBER 2019-003

Noncompliance – Budgetary Measures in Accounting System

Ohio Admin. Code § 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The amounts entered into the School District's accounting system for the original fiscal year 2019 appropriations did not agree to the appropriation measure approved on June 25, 2018. Variances between approved original appropriations and the accounting system ranged from (\$3,080) to \$29,936,750. There were no variances noted between the final fiscal year 2019 approved appropriations and the amounts in the accounting system.

The School District's Official Certificate of Estimated Resources from the Montgomery County Auditor's office was dated August 29, 2018 and reflected \$74,118,594 of estimated receipts for fiscal year 2019. The School District did not enter estimated receipts in the accounting system during fiscal year 2019.

The amounts entered as budgeted receipts and appropriations in the accounting system should agree to the official certified receipts and approved appropriation measures. Inaccuracy of the data entered into the accounting system limits the reliability of controls that the budgetary reports provide to School District management. Procedures should be implemented to verify that information entered into the accounting system agrees to legislatively approved amounts.

Official's Response:

See Corrective Action Plan on page 101.

3. FINDINGS FOR FEDERAL AWARDS

1. Maintenance of Assets

Finding Number:	2019-004
CFDA Number and Title:	Special Education Cluster (IDEA): Special Education Grants to States (84.027)
Federal Award Identification Number / Year:	H027A180111 2019 and 2018
Federal Agency:	United States Department of Education
Compliance Requirement:	Equipment and Real Property Management
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

**FINDING NUMBER 2019-004
(Continued)**

Noncompliance and Material Weakness

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. § 200.313(d)(1)**, which requires that property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal Award Identification Number (FAIN)), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. §200.313(d)(2)**, which states, a physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years.

Due to a failure of internal controls, the District's capital asset records for assets acquired under the Special Education Cluster did not contain the FAIN, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, or the use or condition of the property. Additionally, due to a failure of internal controls, there was no indication that a physical inventory of the property acquired under the Special Education Cluster had been performed within the preceding two years and seven of the seven (100%) assets purchased under the Special Education Cluster selected for physical inspection were included in the capital asset records; however, the assets were no longer owned by the District.

The District should establish and implement policies and procedures to properly track and dispose of equipment purchased with Federal funds in accordance with **2 C.F.R. §200.313(d)**. Failure to do so could result in the District tracking an incorrect number and/or amount of assets and misuse going undetected in a timely manner. Additionally, physical inventories should be performed, at a minimum, once every two years to verify that assets held per the capital asset listing actually exist. This will help detect errors, fraud, theft, or omissions.

Official's Response:

See Corrective Action Plan on page 101.

Northridge Local Schools

Educating Today for Tomorrow's Success

Office of the Treasurer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
June 30, 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Financial Statement Misstatement	Partially Corrected	See Corrective Action Plan Finding 2019-002
2018-002	Budgetary amount in the accounting system did not match approved budgetary documents	Not Corrected	See Corrective Action Plan Finding 2019-003
2018-003	The School District had appropriations in excess of estimated resources	Not Corrected	See Corrective Action Plan Finding 2019-001

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Northridge Local Schools

Educating Today for Tomorrow's Success

Office of the Treasurer

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2019**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	The school district has a plan to implement procedures so that the Board of Education does not approve appropriations in excess of County Auditor-approved estimated resources	6/30/2020	Jennifer Ashbaugh, Treasurer
2019-002	The school district has a plan to implement procedures to verify the accuracy of amounts reported in the financial statements	6/30/2020	Jennifer Ashbaugh, Treasurer
2019-003	The school district has a plan to update the accounting system to reflect any original and amended amounts from the county auditors.	6/30/2020	Jennifer Ashbaugh, Treasurer
2019-004	The school district has a plan to develop policies and procedures to properly record all federally required asset information.	6/30/2020	Jennifer Ashbaugh, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



**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 21, 2020**