



**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 19, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	11
Statement of Activities.....	12
Balance Sheet - Governmental Funds.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis) - General Fund.....	17
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to the Federal Awards Receipts and Expenditure Schedule.....	46
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to Major Programs and Internal Control Over Compliance In Accordance with OMB Circular A-133	49
Schedule of Findings.....	51
Schedule of Prior Audit Findings.....	58

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Licking County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule provides additional information and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 13, 2006

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of the Northridge Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2006 are as follows:

- During fiscal year 2006, the School District renewed an existing one percent income tax levy for general operations. The tax was effective January 1, 2006 and remains in effect until December 31, 2010.
- Net assets of governmental activities decreased \$606,394.
- General revenues accounted for \$10,900,272 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$1,607,146, 13 percent of total revenues of \$12,507,418.
- Total assets of governmental activities increased \$217,073. The majority of the increase was due to an increase in property taxes receivable of \$332,583, an increase in capital assets of \$134,170, and an increase in income taxes receivable of \$90,537. These increases are offset by a decrease in cash and cash equivalents in segregated accounts for common stock that the School District cashed in during fiscal year 2006.
- The School District had \$13,113,812 in expenses related to governmental activities; only \$1,607,146 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$10,900,272 were not adequate to provide for these programs.
- The School District has three major funds; the general fund, the debt service fund, and the building fund. The general fund had \$10,494,703 in revenues, \$11,209,424 in expenditures, and (\$87,461) in other financing sources (uses). The general fund's balance decreased \$802,182. The debt service fund had \$868,239 in revenues, \$808,343 in expenditures, and \$113,607 in other financing sources (uses). The debt service fund's balance increased \$173,503. The building fund had no revenues, \$400,758 in expenditures, and \$1,108,576 in other financing sources (uses). The building fund's balance increased \$707,818.

Using this Annual Financial Report

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the debt service fund, and the building fund.

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets for 2006 compared to 2005.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

**Table I
Net Assets**

	<u>Governmental Activities</u>		
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Assets			
Current and Other Assets	\$6,856,145	\$6,773,242	\$82,903
Capital Assets	14,736,496	14,602,326	134,170
Total Assets	<u>21,592,641</u>	<u>21,375,568</u>	<u>217,073</u>
Liabilities			
Long-Term Liabilities	9,075,551	8,202,448	873,103
Other Liabilities	6,081,830	6,131,466	(49,636)
Total Liabilities	<u>15,157,381</u>	<u>14,333,914</u>	<u>823,467</u>
Net Assets			
Invested in Capital Assets, Net of Debt	7,081,690	6,450,321	631,369
Restricted	351,196	587,524	(236,328)
Unrestricted (Deficit)	(997,626)	3,809	(1,001,435)
Total Net Assets	<u>\$6,435,260</u>	<u>\$7,041,654</u>	<u>(\$606,394)</u>

Total assets increased \$217,073. The majority of the increase was due to an increase in property taxes receivable of \$332,583, an increase in capital assets of \$134,170, and an increase in income taxes receivable of \$90,537. The increase in property taxes receivable is due to the increase in assessed values of property within the School District. The increase in capital assets was due to the School District replacing a portion of the middle school roof, asphalt renovations and lighting to the high school parking lot, and the final payments in the amount of \$381,132 on the purchase and installation of a new chiller, boiler, and air handler unit. These increases are offset by a decrease in cash and cash equivalents in segregated accounts for common stock that the School District sold during fiscal year 2006.

Total liabilities increased \$823,467. Deferred revenue increased \$524,355 due mainly to an anticipated increase in property taxes receivable. Contracts payable decreased \$707,818 due to the School District completing the installation of the new chiller, boiler, and air handler unit. Accounts payable increased \$172,044 due mainly to a large payable for transportation services in the amount of \$269,786. Long-term liabilities increased \$873,103 primarily due to the School District issuing School Energy Conservation Improvement general obligation bonds in the amount of \$995,000 for the purpose of installing the new chiller, boiler, and air handler unit. In addition, during fiscal year 2006 the School District refunded the 1996 Classroom Facility Improvement general obligation bonds in the amount of \$7,120,000. During fiscal year 2006, the School District made a principal payment in the amount of \$330,000 and issued Classroom Facilities Refunding general obligation bonds in the amount of \$6,780,000. The School District realized an accounting gain in the amount of \$227,799. The School District made an \$85,000 principal payment during fiscal year 2006 towards their Energy Conservation Notes. The HVAC computer equipment capital lease principal was reduced \$12,844.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006 and comparisons to fiscal year 2005.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets**

	Governmental Activities		
Revenues	<u>2006</u>	<u>2005</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$579,001	\$557,056	\$21,945
Operating Grants and Contributions	1,017,392	940,870	76,522
Capital Grants and Contributions	10,753	36,413	(25,660)
	<u>1,607,146</u>	<u>1,534,339</u>	<u>72,807</u>
General Revenue:			
Property Taxes	4,217,475	4,061,489	155,986
Income Taxes	1,932,421	1,694,991	237,430
Gain on Sale of Capital Asset	0	10,719	(10,719)
Grants and Entitlements	4,636,952	4,547,208	89,744
Investment Earnings	75,875	170,446	(94,571)
Miscellaneous	37,549	25,786	11,763
	<u>10,900,272</u>	<u>10,510,639</u>	<u>389,633</u>
Total Revenues	<u>12,507,418</u>	<u>12,044,978</u>	<u>462,440</u>
Program Expenses			
Instruction			
Regular	5,411,728	5,178,098	233,630
Special	1,491,995	1,381,739	110,256
Vocational	134,619	148,443	(13,824)
Support Services			
Pupil	289,172	281,159	8,013
Instructional Staff	377,250	402,608	(25,358)
Board of Education	7,252	9,275	(2,023)
Administration	1,108,573	1,003,588	104,985
Fiscal	498,626	491,748	6,878
Business	39,575	42,797	(3,222)
Operation and Maintenance of Plant	1,202,140	1,122,476	79,664
Pupil Transportation	1,273,021	1,188,646	84,375
Central	138,931	115,963	22,968
Operation of Non-Instructional Services:			
Food Service Operations	472,837	450,604	22,233
Community Services	2,434	3,616	(1,182)
Extracurricular Activities	398,663	379,576	19,087
Interest and Fiscal Charges	266,996	423,038	(156,042)
Total Program Expenses	<u>13,113,812</u>	<u>12,623,374</u>	<u>490,438</u>
<i>Change in Net Assets</i>	<u>(606,394)</u>	<u>(578,396)</u>	<u>(27,998)</u>
Net Assets Beginning of Year	<u>7,041,654</u>	<u>7,620,050</u>	<u>(578,396)</u>
Net Assets End of Year	<u><u>\$6,435,260</u></u>	<u><u>\$7,041,654</u></u>	<u><u>(\$606,394)</u></u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Net assets decreased by \$606,394 in fiscal year 2006. Revenues showed an increase of \$462,440 due mainly to an increase in operating grants and contributions and grants and entitlements of \$166,266, an increase in property taxes of \$155,986, and an increase in income taxes of \$237,430. Property taxes revenues in fiscal year 2006 showed an increase mainly due to an increase in assessed values within the School District due to new construction. Expenses increased by \$490,438 from the prior year. The majority of the increase is seen in regular instruction of \$233,630 and special instruction of \$110,256. These increases are due to the School District employees receiving a two percent base and a two percent step salary increase, in addition to increases in daily operational expenses.

Instruction comprises approximately 54 percent of governmental program expenses and support services make up approximately 38 percent of the program expenses of the School District.

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

**Table 3
Governmental Activities**

	2006 Total Cost of Services	2006 Net Cost of Services	2005 Total Cost of Services	2005 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$5,411,728	\$5,343,559	\$5,178,098	\$5,052,099
Special	1,491,995	822,732	1,381,739	734,891
Vocational	134,619	101,308	148,443	119,898
Support Services:				
Pupil	289,172	289,172	281,159	281,159
Instructional Staff	377,250	336,363	402,608	359,396
Board of Education	7,252	7,252	9,275	9,275
Administration	1,108,573	1,093,073	1,003,588	981,084
Fiscal	498,626	416,712	491,748	491,748
Business	39,575	39,575	42,797	42,797
Operation and Maintenance of Plant	1,202,140	1,180,865	1,122,476	1,122,476
Pupil Transportation	1,273,021	1,262,268	1,188,646	1,166,198
Central	138,931	107,211	115,963	88,669
Operation of Non-Instructional Services:				
Food Service Operations	472,837	13,435	450,604	34,201
Community Services	2,434	(2,338)	3,616	(3,020)
Extracurricular Activities	398,663	228,483	379,576	185,126
Interest and Fiscal Charges	266,996	266,996	423,038	423,038
Totals	\$13,113,812	\$11,506,666	\$12,623,374	\$11,089,035

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Table 3 clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2006, only 13 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants and contributions. The remaining 87 percent is provided through taxes and entitlements.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,565,173, expenditures of \$13,640,223, and other financing sources (uses) of \$1,134,722.

The School District is aware of the rapid decline in the cash balance, as well as the fund balance of the general fund. The Superintendent and Treasurer implemented self-imposed budget cuts during fiscal year 2006. The self-imposed budget cuts include the following: beginning all building classes at the same time to run single bus routes; the implementation of the early retirement incentive plan; curtailment of professional development expenditures; elimination of summer school transportation; a one time one percent bonus rather than a base increase; and an increase in the cost charged to students participating in extracurricular activities (Pay-to-play).

Other Governmental Major Funds

Debt Service Fund

The fund balance of the Debt Service Fund at June 30, 2006 is \$596,038, an increase of \$173,503 from the prior year primarily due to the premium on the Classroom Facilities Refunding bonds issued during fiscal year 2006.

Building Fund

At June 30, 2006, the Building Fund had no fund balance. Activity in this fund during the fiscal year was related to the boiler/chiller project which was completed by fiscal year end.

General Fund Budgeting Highlights

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

During the course of fiscal year 2006, the School District amended its general fund appropriations, but not significantly.

Budget basis revenue was \$11,232,884 compared to original estimates of \$7,473,785. Of this \$3,759,099 difference, most was due to conservative state subsidy and property and income tax estimates.

The School District's ending general fund budgetary balance was \$98,503.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006 the School District had \$14,736,496 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2006 balances compared to 2005.

**Table 4
Capital Assets at June 30, 2006
(Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$242,190	\$242,190
Land Improvements	587,576	571,439
Buildings and Improvements	11,831,199	11,935,558
Furniture and Equipment	2,067,084	1,126,197
Vehicles	8,447	19,124
Construction in Progress	<u>0</u>	<u>707,818</u>
Totals	<u><u>\$14,736,496</u></u>	<u><u>\$14,602,326</u></u>

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

Debt

At June 30, 2006, the School District had \$8,138,458 in energy conservation notes, classroom facility improvement refunding bonds, school energy conservation improvement bonds, and capital leases outstanding.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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

	Governmental Activities 2006	Governmental Activities 2005
Energy Conservation Notes	\$195,000	\$280,000
Classroom Facility Improvement Bonds	0	7,120,000
Classroom Facility Improvement Refunding Bonds	6,780,000	0
Bond Premium	337,890	0
Deferred Amount on Refunding	(219,037)	0
School Energy Conservation Improvement Bonds	995,000	0
Bond Premium	18,262	0
Capital Leases	31,343	44,187
Totals	\$8,138,458	\$7,444,187

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

Closing Comments

As the preceding information shows, the School District relies heavily on its property tax payers, income tax payers, and state subsidies. The School District is utilizing every resource available to avoid facing an operating deficit, however, projections are hard to make when the instability of state subsidies (HB 66) exist as they do today.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Eugene Foust, Treasurer at Northridge Local School District, 6097 Johnstown-Utica Road, Johnstown, Ohio 43031. You may also E-mail the treasurer at efoust@laca.org.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$1,121,286
Materials and Supplies Inventory	13,157
Inventory Held for Resale	13,167
Intergovernmental Receivable	13,124
Accrued Interest Receivable	4,733
Income Taxes Receivable	869,145
Prepaid Items	33,563
Accounts Receivable	9,635
Property Taxes Receivable	4,650,835
Deferred Charges	127,500
Nondepreciable Capital Assets	242,190
Depreciable Capital Assets, Net	14,494,306
<i>Total Assets</i>	21,592,641
Liabilities	
Accounts Payable	380,824
Accrued Wages and Benefits Payable	914,818
Matured Compensated Absences Payable	37,657
Accrued Interest Payable	29,943
Intergovernmental Payable	461,022
Deferred Revenue	4,257,566
Long-Term Liabilities:	
Due Within One Year	772,235
Due In More Than One Year	8,303,316
<i>Total Liabilities</i>	15,157,381
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,081,690
Restricted for:	
Debt Service	230,081
Capital Projects	6,337
Budget Stabilization	58,147
Classroom Facilities Maintenance	11,899
District Managed Activities	18,147
Other Purposes	26,585
Unrestricted (Deficit)	(997,626)
<i>Total Net Assets</i>	\$6,435,260

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$5,411,728	\$59,143	\$9,026	\$0	(\$5,343,559)
Special	1,491,995	0	669,263	0	(822,732)
Vocational	134,619	0	33,311	0	(101,308)
Support Services:					
Pupil	289,172	0	0	0	(289,172)
Instructional Staff	377,250	0	40,887	0	(336,363)
Board of Education	7,252	0	0	0	(7,252)
Administration	1,108,573	0	15,500	0	(1,093,073)
Fiscal	498,626	0	81,914	0	(416,712)
Business	39,575	0	0	0	(39,575)
Operation and Maintenance of Plant	1,202,140	12,240	9,035	0	(1,180,865)
Pupil Transportation	1,273,021	0	0	10,753	(1,262,268)
Central	138,931	0	31,720	0	(107,211)
Operation of Non-Instructional Services:					
Food Service Operations	472,837	332,666	126,736	0	(13,435)
Community Services	2,434	4,772	0	0	2,338
Extracurricular Activities	398,663	170,180	0	0	(228,483)
Interest and Fiscal Charges	266,996	0	0	0	(266,996)
Totals	\$13,113,812	\$579,001	\$1,017,392	\$10,753	(\$11,506,666)
General Revenues					
Property Taxes Levied for:					
					3,366,834
					778,844
					71,797
					1,932,421
					4,636,952
					75,875
					37,549
					<u>10,900,272</u>
					(606,394)
					7,041,654
					<u>\$6,435,260</u>

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$179,395	\$573,255	\$310,489	\$1,063,139
Restricted Assets:				
Cash and Cash Equivalents	58,147	0	0	58,147
Materials and Supplies Inventory	12,311	0	846	13,157
Inventory Held for Resale	0	0	13,167	13,167
Intergovernmental Receivable	2,587	0	10,537	13,124
Accrued Interest Receivable	4,733	0	0	4,733
Income Taxes Receivable	869,145	0	0	869,145
Prepaid Items	33,503	0	60	33,563
Accounts Receivable	9,463	0	172	9,635
Interfund Receivable	9,987	0	0	9,987
Property Taxes Receivable	3,855,542	738,856	56,437	4,650,835
Total Assets	\$5,034,813	\$1,312,111	\$391,708	\$6,738,632
Liabilities				
Accounts Payable	\$360,458	\$0	\$20,366	\$380,824
Accrued Wages and Benefits Payable	878,202	0	36,616	914,818
Matured Compensated Absences Payable	35,015	0	2,642	37,657
Interfund Payable	0	9,987	0	9,987
Intergovernmental Payable	334,416	0	126,606	461,022
Deferred Revenue	3,759,503	706,086	52,477	4,518,066
Total Liabilities	5,367,594	716,073	238,707	6,322,374
Fund Balances				
Reserved for Encumbrances	25,257	0	25,190	50,447
Reserved for Budget Stabilization	58,147	0	0	58,147
Reserved for Property Taxes	193,259	30,016	3,632	226,907
Unreserved:				
Undesignated, Reported in:				
General Fund (Deficit)	(609,444)	0	0	(609,444)
Special Revenue Funds	0	0	117,842	117,842
Debt Service Fund	0	566,022	0	566,022
Capital Projects Funds	0	0	6,337	6,337
Total Fund Balances	(332,781)	596,038	153,001	416,258
Total Liabilities and Fund Balances	\$5,034,813	\$1,312,111	\$391,708	\$6,738,632

See accompanying notes to the basic financial statements

**NORTHBRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Governmental Fund Balances	\$416,258
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Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,736,496
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Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:

Property Taxes Receivable	142,293	
Income Taxes Receivable	113,004	
Student Fees	5,203	260,500

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds.	127,500
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Bonds and Notes Payable	(7,970,000)	
Bond Premium	(356,152)	
Deferred Amount on Refunding	219,037	
Accrued Interest Payable	(29,943)	
Capital Leases Payable	(31,343)	
Compensated Absences	(754,723)	
Retirement Incentive Payable	(182,370)	(9,105,494)

Net Assets of Governmental Activities	\$6,435,260
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See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$3,393,319	\$786,491	\$0	\$72,559	\$4,252,369
Income Taxes	1,923,021	0	0	0	1,923,021
Intergovernmental	4,993,298	81,748	0	620,259	5,695,305
Interest	75,875	0	0	1,759	77,634
Tuition and Fees	58,888	0	0	0	58,888
Extracurricular Activities	0	0	0	174,952	174,952
Rentals	12,240	0	0	0	12,240
Charges for Services	0	0	0	332,666	332,666
Contributions and Donations	549	0	0	0	549
Miscellaneous	37,513	0	0	36	37,549
Total Revenues	10,494,703	868,239	0	1,202,231	12,565,173
Expenditures					
Current:					
Instruction:					
Regular	5,189,911	0	0	21,713	5,211,624
Special	1,087,137	0	0	371,257	1,458,394
Vocational	121,545	0	0	0	121,545
Support Services:					
Pupils	277,176	0	0	0	277,176
Instructional Staff	335,525	0	0	19,551	355,076
Board of Education	7,252	0	0	0	7,252
Administration	1,023,827	0	0	56,719	1,080,546
Fiscal	485,441	11,204	0	1,237	497,882
Business	39,575	0	0	0	39,575
Operation and Maintenance of Plant	1,084,320	0	0	67,505	1,151,825
Pupil Transportation	1,257,382	0	0	11,577	1,268,959
Central	106,573	0	0	32,358	138,931
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	444,257	444,257
Community Services	0	0	0	2,434	2,434
Extracurricular Activities	191,909	0	0	180,126	372,035
Capital Outlay	0	0	381,143	0	381,143
Debt Service:					
Principal Retirement	1,575	415,000	0	11,269	427,844
Interest and Fiscal Charges	276	268,532	0	1,695	270,503
Issuance Costs	0	113,607	19,615	0	133,222
Total Expenditures	11,209,424	808,343	400,758	1,221,698	13,640,223
Excess of Revenues Over (Under) Expenditures	(714,721)	59,896	(400,758)	(19,467)	(1,075,050)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	6,500	0	0	0	6,500
General Obligations Bonds Issued	0	0	995,000	0	995,000
Premium on General Obligation Bonds Issued	0	0	19,615	0	19,615
Refunding Bonds Issued	0	6,780,000	0	0	6,780,000
Premium on Refunding Bonds Issued	0	351,406	0	0	351,406
Current Refunding	0	(7,017,799)	0	0	(7,017,799)
Transfers In	0	0	93,961	0	93,961
Transfers Out	(93,961)	0	0	0	(93,961)
Total Other Financing Sources (Uses)	(87,461)	113,607	1,108,576	0	1,134,722
Net Change in Fund Balances	(802,182)	173,503	707,818	(19,467)	59,672
Fund Balances (Deficit) Beginning of Year	469,401	422,535	(707,818)	172,468	356,586
Fund Balances (Deficit) End of Year	(\$332,781)	\$596,038	\$0	\$153,001	\$416,258

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Total Governmental Funds		\$59,672
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital Asset Additions	534,679	
Depreciation Expense	<u>(347,370)</u>	187,309
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Loss on the Sale of Capital Assets	(46,639)	
Proceeds from the Sale of Capital Assets	<u>(6,500)</u>	(53,139)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	(32,516)	
Student Fees	255	
Income Taxes	9,400	
Delinquent Taxes	<u>(34,894)</u>	(57,755)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		427,844
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		
		3,122
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences Payable	3,538	
Early Retirement Incentive Payable	<u>(182,370)</u>	(178,832)
Debt proceeds and premiums are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets:		
General Obligation Bonds Issued	(995,000)	
Premium on Refunding Bonds Issued	(351,406)	
Refunding Bonds Issued	(6,780,000)	
Premium on General Obligation Bonds Issued	<u>(19,615)</u>	(8,146,021)
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets		
		133,222
The amortization of premiums and issuance costs are reported on the statement of activities:		
Premium Amortization	14,869	
Issuance Costs Amortization	<u>(5,722)</u>	9,147
The current refunding is an other financing use in governmental funds, but the payment reduces long-term liabilities in the statement of net assets.		
		7,017,799
The difference between the net carrying amount of the refunded debt and the acquisition price is allocated over the life of the outstanding debt on the statement of activities.		
		<u>(8,762)</u>
Change in Net Assets of Governmental Activities		<u>(\$606,394)</u>

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$2,527,498	\$3,829,484	\$3,508,794	(\$320,690)
Income Tax	1,225,106	1,841,884	1,841,884	0
Intergovernmental	3,608,062	4,993,211	4,993,211	0
Investment Earnings	23,017	455,476	455,476	0
Tuition and Fees	39,028	59,143	59,143	0
Rentals	0	12,240	12,240	0
Contributions and Donations	0	549	549	0
Miscellaneous	25,855	34,397	34,397	0
<i>Total Revenues</i>	<u>7,448,566</u>	<u>11,226,384</u>	<u>10,905,694</u>	<u>(320,690)</u>
Expenditures				
Current:				
Instruction:				
Regular	5,087,900	5,161,309	5,067,153	94,156
Special	1,112,300	1,112,300	1,112,300	0
Vocational	121,922	121,922	121,921	1
Other	67,046	67,046	67,046	0
Support Services:				
Pupil	276,538	276,538	276,538	0
Instructional Staff	361,500	361,500	361,500	0
Board of Education	7,197	7,197	7,197	0
Administration	1,017,539	1,017,539	1,017,539	0
Fiscal	491,021	491,021	491,021	0
Business	39,374	39,374	39,374	0
Operation and Maintenance of Plant	1,060,035	1,060,035	1,060,035	0
Pupil Transportation	1,222,829	1,222,829	1,222,829	0
Central	106,573	106,573	106,573	0
Extracurricular Activities	192,241	192,241	192,241	0
<i>Total Expenditures</i>	<u>11,164,015</u>	<u>11,237,424</u>	<u>11,143,267</u>	<u>94,157</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,715,449)</u>	<u>(11,040)</u>	<u>(237,573)</u>	<u>(226,533)</u>
Other Financing Source (Use)				
Proceeds from Sale of Capital Assets	25,219	6,500	6,500	0
Transfers Out	(93,961)	(93,961)	(93,961)	0
<i>Total Other Financing Source (Use)</i>	<u>(68,742)</u>	<u>(87,461)</u>	<u>(87,461)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(3,784,191)</u>	<u>(98,501)</u>	<u>(325,034)</u>	<u>(226,533)</u>
<i>Fund Balance Beginning of Year</i>	356,725	356,725	356,725	0
Prior Year Encumbrances Appropriated	66,812	66,812	66,812	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$3,360,654)</u>	<u>\$325,036</u>	<u>\$98,503</u>	<u>(\$226,533)</u>

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2006**

Assets

Cash and Cash Equivalents	\$40,753
Cash and Cash Equivalents in Segregated Accounts	<u>39,656</u>
<i>Total Assets</i>	<u><u>\$80,409</u></u>

Liabilities

Intergovernmental Payable	\$39,656
Due to Students	<u>40,753</u>
<i>Total Liabilities</i>	<u><u>\$80,409</u></u>

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1962 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 120 square miles. It is located in Licking, Knox, and Delaware Counties, and includes Burlington Township and the Villages of Alexandria and Croton. The School District is staffed by 51 classified employees, 97 certificated full-time teaching personnel, and 7 administrative employees who provide services to 1,440 students and other community members. The School District currently operates five instructional buildings, one administrative building, and one garage.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

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

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

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Building Fund The building fund is used to account for capital upgrades to the School District's buildings.

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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 reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

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

During fiscal year 2006, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$75,875, which includes \$36,109 assigned from other School District funds.

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

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent the amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

I. Inventory

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Receivables and Payables

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

K. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	25-50 Years
Buildings and Improvements	50-100 Years
Furniture and Equipment	10-50 Years
Vehicles	5-15 Years

L. Interfund Balances

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

M. Compensated Absences

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

N. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, long-term notes, and capital leases are recognized as a liability on the governmental fund financial statements when due.

O. Bond Premiums, Gains on Refinancing and Issuance Costs

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

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

Any gain or loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

P. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, budget stabilization, and property taxes.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents unspent worker's compensation refunds.

Q. Net Assets

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

The government-wide statement of net assets reports \$351,196 of restricted net assets, of which none is restricted by enabling legislation.

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

R. 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.

S. Estimates

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

Note 3 – Changes in Accounting Principles

For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. See Note 15 for disclosure of termination benefits.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 4 – Accountability and Compliance

A. Accountability

The following funds had deficit fund balances as of June 30, 2006:

	<u>Deficit Fund Balances</u>
<u>General Fund</u>	(\$332,781)
<u>Special Revenue Fund:</u>	
Title I	(\$4,701)

The deficit balances in the general fund and special revenue fund are the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

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

	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
SchoolNet Professional Development	\$2,700	\$5,065	(\$2,365)
Title VI-B	383,274	499,443	(116,169)
Title I	78,951	79,536	(585)
Class Size Reduction	40,414	96,443	(56,029)
Public School Support	91,672	106,344	(14,672)

The general fund had original appropriations in excess of estimated resources contrary to Section 5705.39, Revised Code in the amount of \$3,360,654.

The following funds had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41, Revised Code:

	<u>Excess</u>
<u>Special Revenue Funds:</u>	
Food Service Fund	(\$6,929)
Classroom Facilities Maintenance	(804)
SchoolNet Professional Development	(375)
 <u>Debt Service Fund</u>	
Bond Retirement Fund	(7,127,440)

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Non-budgeted activity was reported on the GAAP basis but not on the budgetary basis for segregated investment items.

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

Net Change in Fund Balance	
GAAP Basis	(\$802,182)
Net Adjustment for Revenue Accruals	29,364
Net Adjustment for Expenditure Accruals	147,444
Beginning:	
Non-budgeted activity	381,627
Prepaid Items	91,255
Ending:	
Prepaid Items	(33,503)
Adjustment for Encumbrances	(139,039)
Budget Basis	<u><u>(\$325,034)</u></u>

Note 6 - 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 6 - Deposits and Investments (Continued)

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.

Protection of 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 a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,256,573 of the School District's bank balance of \$1,356,573 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 6 - Deposits and Investments (Continued)

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

Investments As of June 30, 2006, the School District had the following investments. All investments are in an internal investment pool:

	Fair Value	Average Maturity
STAROhio	\$6,985	34.77 Days
Total	\$6,985	

Interest Rate Risk

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

Credit Risk

STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices other than what has been approved by State statute.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 7 - Property Taxes (Continued)

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, the School District did not receive payment from the Licking County Auditor until July 2006.

The School District receives property taxes from Licking, Knox, and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was \$226,907, \$193,259 was available to the general fund, \$3,632 was available to the classroom facilities maintenance special revenue fund, and \$30,016 was available to the bond retirement debt service fund. The amount available as an advance at June 30, 2005, was \$386,729, \$311,133 was available to the general fund, \$6,652 was available to the classroom facilities maintenance special revenue fund, and \$68,944 was available to the bond retirement debt service fund.

The June 30 personal property tax settlement that was received July, 2006 amounted to \$20,987 in the general fund, \$328 in the classroom facilities maintenance special revenue fund, and \$2,754 in the bond retirement debt service fund. The June 30 personal property tax settlement that was received July, 2005 amounted to \$18,588 in the general fund, \$285 in the classroom facilities maintenance special revenue fund, and \$2,252 in the bond retirement debt service fund.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 7 - Property Taxes (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$170,436,380	92.76%	\$190,517,970	93.60%
Public Utility Personal	11,151,740	6.26%	11,315,990	5.56%
General Business Personal	1,912,160	0.98%	1,715,795	0.84%
	\$183,500,280	100.00%	\$203,549,755	100.00%
Tax rate per \$1,000 of assessed valuation	\$39.05		\$38.70	

Note 8 - Income Tax

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

Note 9 - Receivables

Receivables at June 30, 2006 consisted of property taxes, income taxes, accounts (billings for user charged services, vendors commissions, and tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year except for the delinquent property taxes in the amount of \$142,293.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
National School Lunch Program	\$10,537
State Foundation Adjustment	2,587
Total	\$13,124

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Nondepreciable Capital Assets				
Land	\$242,190	\$0	\$0	\$242,190
Construction in Progress	707,818	381,132	(1,088,950)	0
Total Capital Assets not being depreciate	<u>950,008</u>	<u>381,132</u>	<u>(1,088,950)</u>	<u>242,190</u>
Depreciable Capital Assets				
Land Improvements	839,452	48,965	0	888,417
Buildings and Improvements	14,150,664	70,000	0	14,220,664
Furniture and Equipment	1,924,349	1,123,532	(44,971)	3,002,910
Vehicles	126,100	0	(116,000)	10,100
Total at Historical Cost	<u>17,040,565</u>	<u>1,242,497</u>	<u>(160,971)</u>	<u>18,122,091</u>
Less Accumulated Depreciation				
Land Improvements	(268,013)	(32,828)	0	(300,841)
Buildings and Improvements	(2,215,106)	(174,359)	0	(2,389,465)
Furniture and Equipment	(798,152)	(139,173)	1,499	(935,826)
Vehicles	(106,976)	(1,010)	106,333	(1,653)
Total Accumulated Depreciation	<u>(3,388,247)</u>	<u>(347,370)</u>	<u>107,832</u>	<u>(3,627,785)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>13,652,318</u>	<u>895,127</u>	<u>(53,139)</u>	<u>14,494,306</u>
Governmental Activities Capital Assets, Net	<u>\$14,602,326</u>	<u>\$1,276,259</u>	<u>(\$1,142,089)</u>	<u>\$14,736,496</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$143,849
Special	27,911
Vocational	13,145
Support Services:	
Pupil	10,735
Instructional Staff	21,470
Administration	28,798
Fiscal	2,533
Operation and Maintenance	31,168
Pupil Transportation	895
Extracurricular	26,628
Food Service Operations	<u>40,238</u>
Total Depreciation Expense	<u>\$347,370</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2006, the School District contracted with Employers Mutual Casualty Company for all of their insurance. The types and amounts of coverage provided follows:

Building and Contents - Replacement Cost (\$2,500 deductible)	\$31,816,902
School Equipment (\$2,500 deductible)	6,036,627
Boiler and Machinery (\$2,500 deductible)	37,853,529
Extra Expense / Business Income (\$2,500 deductible)	1,000,000
Automobile Liability Bodily Injury	
Per Occurrence (\$100 deductible comprehensive and \$250	250,000
Aggregate Per Year (\$100 deductible comprehensive and	
\$250 collision)	500,000
Uninsured Motor Vehicle Bodily Injury	
Per Occurrence	250,000
Aggregate Per Year	500,000
General Liability	
Per Occurrence	1,000,000
Aggregate Per Year	2,000,000

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

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$138,040, \$155,752, and \$89,273 respectively; 48 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$72,266 represents the unpaid contribution for fiscal year 2006.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits and death and survivor benefits to members and beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 12 - Defined Benefit Pension Plans (Continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$691,253, \$679,897, and \$608,363 respectively; 82 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$11,740 made by the School District and \$19,331 made by the plan members.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio, (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$53,173 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005 (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$66,080.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 13 - Postemployment Benefits (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005, (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

Note 14 - Employee Benefits

A. *Compensated Absences*

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

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

B. *Health Care Benefits*

The School District provides health and drug insurance for all eligible employees through Anthem Blue Cross/Blue Shield. The School District pays medical and drug monthly premiums for staff of \$694.75 for family coverage and \$312.46 for single coverage. The School District also provides dental insurance for all eligible employees through Medical Benefit Mutual. The School District's share of the monthly premium for dental insurance coverage is \$62.81 for family and \$21.54 for single employees. The School District provides vision insurance through Vision Plus. The School District pays \$8.58 per month for all eligible employees.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/2005	Additions	Deductions	Principal Outstanding 6/30/2006	Due Within One Year
Energy Conservation Note - 4.05%-5.75%	\$280,000	\$0	\$85,000	\$195,000	\$95,000
Classroom Facility Improvement Bonds - 5.75% - 6.75%	7,120,000	0	7,120,000	0	0
Classroom Facilities Refunding General Improvement Serial Bonds - 4.50% - 5.00%	0	6,780,000	0	6,780,000	490,000
Bond Premium	0	351,406	13,516	337,890	0
Deferred Amount on Refunding	0	(227,799)	(8,762)	(219,037)	0
School Energy Conservation Improvement General Obligation Bonds - 4.25% - 4.75%	0	995,000	0	995,000	55,000
Bond Premium	0	19,615	1,353	18,262	0
Total Long-Term Bonds	7,400,000	7,918,222	7,211,107	8,107,115	640,000
Capital Leases	44,187	0	12,844	31,343	13,499
Compensated Absences	758,261	59,363	62,901	754,723	82,263
Early Retirement Incentive	0	182,370	0	182,370	36,473
Total General Long-Term Obligations	\$8,202,448	\$8,159,955	\$7,286,852	\$9,075,551	\$772,235

General Obligation Bonds

Energy Conservation Note - On May 7, 1997, the School District issued \$747,000 in unvoted energy conservation notes, for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2008. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations.

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$95,000	\$8,434	\$103,434
2008	100,000	2,875	102,875
Total	<u>\$195,000</u>	<u>\$11,309</u>	<u>\$206,309</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 15 - Long-Term Obligations (Continued)

1995 Classroom Facility Improvement Bonds - The School District issued Classroom Facility Improvement Bonds in 1995 in the amount of \$9,112,344 to meet the matching requirement for a classroom facility project involving the Ohio School Facilities Commission. The project included an addition and improvements to the District's facilities. The bonds bear interest of 5.75 to 6.75% and are retired through the bond retirement debt service fund.

2006 Classroom Facilities Improvement Refunding General Obligation Serial Bonds - In April 2006, the School District issued \$6,780,000 of Classroom Facilities Improvement Refunding General Obligation Serial Bonds. These refunding bonds were issued to refund the 1995 Classroom Facilities Construction General Obligation Bonds outstanding in the amount of \$6,790,000. The 1995 Classroom Facilities Construction General Obligation Bonds were called on May 3, 2006 with a call premium due December 1, 2006 in the amount of \$67,900. At June 30, 2006, the outstanding value of the 1995 bonds was removed from the financial statements. The refunding bonds were issued with a premium of \$351,406. The premium is reported as an increase to bonds payable. The premium is being amortized to interest expense over the life of the Classroom Facilities Improvement Refunding General Obligation Bonds using the straight-line method. The issuance costs of \$113,607 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The current refunding resulted in an accounting gain, the difference between the net carrying amount of the debt and the acquisition price, in the amount of \$227,799. This difference is being reported in the accompanying financial statement as a decrease to bonds payable and is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$678,292. The issuance resulted in a total economic gain of \$539,703.

Principal and interest requirements to retire the classroom facilities improvement refunding bonds outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$490,000	\$310,150	\$800,150
2008	385,000	290,463	675,463
2009	400,000	272,800	672,800
2010	425,000	254,238	679,238
2011	450,000	233,988	683,988
2012-2016	2,655,000	814,995	3,469,995
2017-2019	1,975,000	150,844	2,125,844
Total	<u>\$6,780,000</u>	<u>\$2,327,478</u>	<u>\$9,107,478</u>

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 15 - Long-Term Obligations (Continued)

Principal and interest requirements to retire the school energy conservation improvement bonds outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$55,000	\$44,457	\$99,457
2008	55,000	42,119	97,119
2009	55,000	39,781	94,781
2010	60,000	37,262	97,262
2011	60,000	34,562	94,562
2012-2016	360,000	126,759	486,759
2017-2020	350,000	34,439	384,439
Total	<u>\$995,000</u>	<u>\$359,379</u>	<u>\$1,354,379</u>

The School District's overall legal debt margin was \$11,272,680, with an unvoted debt margin of \$200,585 at June 30, 2006.

Capital Leases Payable

Capital leases will be paid from the general fund.

Compensated Absences Payable

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

Early Retirement Incentive Payable

The Northridge Board of Education offered to pay any qualifying bargaining unit member who agreed to retire an amount equal to one year's salary to be paid over a five year period for the member who is deemed a viable candidate by the School District. One fifth of this amount will be paid annually on January 2nd of each year for a five year period. To qualify for the Early Retirement Incentive Plan, the member should have completed twenty-five years of consecutive service with the School District or is sixty years of age.

Note 16 - Interfund Transactions

There is an outstanding advance from the general fund to the bond retirement debt service fund in the amount of \$9,987 for a principal payment on the energy conservation notes. The interfund payable is anticipated to be repaid within one year.

Interfund transfers during fiscal year 2006 consisted of the general fund transferring \$93,961 to the Capital Projects Fund for the final payment of the contractual commitment with Synergy Mechanical Contractors, Inc. for a chiller, boiler, and air handler unit.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 17 - Jointly Governed Organizations

A. Licking Area Computer Association

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

The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and the School District does not have an equity interest in the Association. The School District's payments to LACA for computer services for fiscal year 2006 were \$94,662. Financial statements for LACA can be obtained from their fiscal agent - the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

B. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate.

The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. School District payments to MEC for fiscal year 2006 were \$181,094 for insurance and membership. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

C. Central Ohio Special Education Regional Resource Center

The Central Ohio Educational Regional Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The Northridge Local School District has a cooperative agency agreement with COSERRC. There is no financial commitment by the School District for its participation in COSERRC. The governing board is composed of superintendents of member school districts in Central Ohio (which comprise sixty percent of the Board), two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, and representatives of universities. The School District has one representative on the governing board. Nothing was paid to COSERRC during fiscal year 2006. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 17 - Jointly Governed Organizations (Continued)

D. School Study Council of Ohio

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board). The Council is comprised of 81 member organizations. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and to vote. School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2006, the Board consisted of seventeen members. In fiscal year 2006, Northridge Local School District obtained active membership privileges and paid a membership fee of \$360. Financial information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

Note 18 - Related Organization

Alexandria Public Library

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

Note 19 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Note 20 - Set-Aside Calculations

The Northridge Local School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, Senate Bill 345 eliminated the requirement for a budget reserve; however, the remaining amount of the budget reserve funded with workers' compensation refunds or rebates may only be used to offset a budget deficit or certain other expenditures as defined in State statute.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 20 - Set-Aside Calculations (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2005	(\$674,837)	(\$30,838)	\$58,147
Current year set-aside requirement	207,225	207,225	0
Current year offsets	0	(84,737)	0
Qualifying Disbursements	<u>(178,587)</u>	<u>(1,524,855)</u>	<u>0</u>
Totals	<u>(\$646,199)</u>	<u>(\$1,433,205)</u>	<u>\$58,147</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$646,199)</u>	<u>(\$1,025,838)</u>	<u>\$58,147</u>
Set-aside Reserve Balance as of June 30, 2006	<u>\$0</u>	<u>\$0</u>	<u>\$58,147</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook and capital improvement set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$58,147.

Note 21 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

One lawsuit is pending against the School District. Any potential liability against the School District is currently unknown.

Note 22 - Capitalized Leases

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Note 22 - Capitalized Leases (Continued)

The agreement provides for minimum annual lease payments as follows:

Fiscal Year Ending June 30,	Principal	Interest
2007	\$13,499	\$1,317
2008	14,186	629
2009	3,658	46
Total	\$31,343	\$1,992

The equipment was originally capitalized in the amount of \$66,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2006 totaled \$12,844 in the governmental funds.

Property under Capital Lease	\$66,000
Less: Accumulated Depreciation	(4,538)
Total June 30, 2006	\$61,462

Note 23 – Management’s Plan/Financial Condition

As of June 30, 2006, the District has a GAAP fund balance deficit of (\$332,781) for the General Fund. This is a net change of \$802,182 from the previous year. The deficit balance reported is due to the recognition of certain liabilities and related expenditures. Actual revenues for 2006 included real estate taxes which increased approximately six-percent over 2005, related to a reappraisal in 2005 collectible in 2006, as well as income tax receipts which increased approximately thirteen percent over 2005 due to growth and the collection of delinquencies. Projected revenues and expenditures for fiscal year 2007 are consistent with 2006, indicating that the fund balance deficit could be subsequently alleviated.

The District has instituted budget cuts and has implemented measures to assist in alleviating the deficit. Such measures include a change in operations where classes in all buildings begin at the same time to eliminate excess transportation costs, the implementation of early retirement incentive plans, curtailment of professional development expenditures, elimination of summer school transportation, elimination of base salary increases in favor of one-time one-percent bonuses, and increasing the costs charged to students participating in extracurricular activities (Pay-to-play). These changes are intended to reduce costs for all funds.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Lunch Program	044933-LLP4-2005/2006	10.555	\$ 72,281	\$ -	\$ 72,281	\$ -
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	-	49,064	-	49,064
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	048033-C1S1-2006	84.010	78,951	-	78,951	-
Special Education_ Grants to States	048033-6BSF-2005/2006	84.027	383,274	-	365,143	-
Safe and Drug-Free Schools and Communities_State Grants	048033-DRS1-2005/2006	84.186	8,520	-	2,861	-
Innovative Educational Program Strategies	048033-C2S1-2005/2006	84.298	8,416	-	72	-
Technology Literacy Challenge Fund Grants	048033-TJS1-2005/2006	84.318	2,626	-	81	-
Improving Teacher Quality State Grants	048033-TRS1-2005/2006	84.367	72,929	-	40,016	-
Total U.S. Department of Education			<u>554,716</u>	<u>-</u>	<u>487,124</u>	<u>-</u>
<u>United States Department of Health and Human Services</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Community Alternative Funding System	5700405	93.778	28,706	-	28,706	-
State Children's Insurance Program	5700405	94.767	2,727	-	2,727	-
Total Ohio Department of Mental Retardation and Developmental Disabilities:			<u>31,433</u>	<u>-</u>	<u>31,433</u>	<u>-</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 658,430</u>	<u>\$ 49,064</u>	<u>\$ 590,838</u>	<u>\$ 49,064</u>

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

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

NOTE C – SUBSEQUENT EVENT

On August 10, 2006 the District remitted the aggregate amount of unspent fiscal year 2006 grant monies from their Special Education, Safe and Drug Free School, Innovative Educational Program, Improving Teacher Quality, and Technology Literacy Challenge grant funding to the Licking County Educational Service Center (ESC) totaling \$116,612. The payment to the ESC included an invoice which stated "purchased services" however, did not detail the specific services provided that would assure the services provided met the allowable cost principles or the approved grant budgets of the grants noted above.

According to management, the grant funds were remitted to offset the amount of state foundation receipts that the District will remit to the ESC through foundation withholdings in fiscal year 2007. In contrast, federal grant program requirements provide that the District cannot utilize federal grant funding to "supplant" services already being provided for with other federal, state, or local funding.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2006-001, 2006-002, 2006-003 and 2006-004. In a separate letter to the District's management dated December 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 13, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Northridge Local School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in items 2006-005 and 2006-006 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs and allowable activities or maintenance of record requirements of expenditures applying to its Special Education Grants to States federal program. Compliance with those requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Northridge Local School District, Licking County, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

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Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings and questioned cost as item 2006-005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider item 2006-005 to be a material weakness.

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



Betty Montgomery
Auditor of State

December 13, 2006

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Qualified - Activities allowed or unallowed - Allowable cost principles
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.027 — Special Education Grants To States
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2006-001

Certification of Funds

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the treasurer is attached thereto. The treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-001 (Continued)

Certification of Funds (Continued)

There are several exceptions to the standard requirement stated above that a treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District Board.

2. Blanket Certificate – Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District Treasurer did not properly certify the availability of funds prior to purchase commitment for forty-four percent of the expenditures tested and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Certification of Funds (Continued)

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-002

Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to make any expenditure of money unless it has been appropriated as provided in such chapter. At June 30, 2006, the District had expenditures plus outstanding encumbrances exceeding appropriations within the following fund:

Fund	Appropriations	Budgetary Expenditures	Variance
Bond Retirement Fund	\$698,702	\$7,826,142	(\$7,127,440)
Food Service Fund	382,846	389,775	(6,929)
Classroom Facilities Maintenance	84,737	85,541	(804)
SchoolNet Professional Development	5,065	5,440	(375)

The District refinanced a bond issue, however, the issuance of the new bonds and subsequent payment to retire existing bond issue was not budgeted.

We recommend the District budget for future refinancing issues of this nature.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-003

Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. As of June 30, 2006, the District had appropriations exceeding certified resources available for expenditures in the following funds:

Fund	Total Certified Resources	Appropriations	Variance
Title VI-B	\$383,274	\$499,443	(\$116,169)
Class Size Reduction	40,414	96,443	(56,029)
Public School Support	91,672	106,344	(14,672)
SchoolNet Prof Development	2,700	5,065	(2,365)
Title I	78,951	79,536	(585)

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-003 (Continued)

Appropriations Exceeding Estimated Resources (Continued)

In addition, original appropriations exceeded total certified resources in the General fund by the following amounts.

	Total Certified Resources	Appropriations	Variance
General Fund	\$7,805,291	\$11,164,015	(\$3,360,654)

We recommend the Treasurer review the Amended Certificates of Estimated Resources and Supplemental Appropriation Measures to ensure that total appropriations from each fund do not exceed the total of the certified resources available for expenditure. Appropriating and spending more than what is estimated to be available in a fund could result in a deficit fund balance.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-004

Questioned Costs – Material Noncompliance

See federal finding #2006-006, portions of this finding are also required to be reported in accordance with GAGAS.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2006-005
CFDA Title and Number	CFDA #84.027 – Special Education-Grants to States
Federal Award Number / Year	048033-6BSF-2005
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Special Education Grants to States – Approval of Expenditures/Agreements

School District's receiving federal program funds are required to provide reasonable assurance that sufficient internal controls are in place to assure applicable grant compliance requirements are met. This would include an accounting and internal control system that would assure that appropriate individuals review supporting invoice documentation, including assuring that proper communication of allowed/unallowable activities is communicated and discussed with appropriate management.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-005 (Continued)
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Special Education Grants to States – Approval of Expenditures/Agreements (Continued)

34 CFR 80.20(B)(2)&(3) state that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. Effective control and accountability must be maintained for all grants and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

During fiscal year 2006, the Northridge Local School District remitted Special Education IDEA-B grant funding to the Licking County Educational Service Center (ESC) as payment for an invoice received from the ESC for “professional development support” services. The District’s Superintendent and Treasurer approved the related purchase order and invoice based on an agreement between the Superintendent of Northridge and the Superintendent of the ESC related to these funds. However, the Board of Education did not approve a specific contract or agreement between the entities for these services that would specifically identify what support services were being provided in relation to grant requirements.

Further, the invoice submitted by the ESC did not provide sufficient detail to support the type of services that were to be, or had been, provided to the District.

Although the District has a Special Education Coordinator, the invoice was not submitted to the Special Education Coordinator, who administers the special education program, for review and approval prior to issuing the warrant.

We recommend that the District require and retain adequate supporting documentation for all Special Education grant expenditures. All agreements between the District and the Licking County Educational Service Center for special education services should be approved by the Board of Education. Documentation to support any billing for services provided by an outside source should include sufficient detail to evidence that the services were for allowable activities and costs in accordance with grant requirements. Purchase orders and final invoices billed to the grant should not only be approved by the Superintendent and Treasurer, but should also be reviewed and approved by the Special Education Coordinator who should assure that grant transactions meet all grant compliance requirements

By requiring adequate and sufficient supporting documentation for all special education grant expenditures, performing the necessary review and approval of purchase orders and invoices, and obtaining Board approval for any service agreements between the District and the ESC, the District can gain assurance that the expenditure of Special Education grant funding is made in accordance with grant program requirements and meet the criteria for allowable costs and allowable activities.

Officials’ Response and Corrective Action Plan:

The District will implement internal control procedures to ensure special education expenditures are approved by the appropriate authorities prior to the expenditure of this funding. The Special Education Coordinator will approve all special education related invoices and mark each purchase order as “ok to pay”. The Special Education Coordinator will also develop annual supply and equipment budgets which will coincide directly with the District’s CCIP budget. The Treasurer will allocate grant special education grant resources to the appropriate account after the completion of the annual budget, and provide quarterly updates to both the Superintendent and Special Education Coordinator as to budget versus actual grant activity and remaining fund balances.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2006-005 (Continued)
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Officials' Response and Corrective Action Plan (Continued)

The above corrective action plan has an anticipated completion date of February 1, 2007. For information regarding this corrective action plan, please contact Jacqueline Piar, Superintendent, Eugene Foust, Treasurer or John Shepard, Special Education Coordinator.

Finding Number	2006-006
CFDA Title and Number	CFDA #84.027 – Special Education-Grants to States
Federal Award Number / Year	048033-6BSF-2005
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs

Allowable Costs/Allowable Activities – Special Education Grants to States

Special Education, IDEA-B grant funds may only be expended for specific allowable activities or costs in accordance with OMB Circular A-87. OMB Circular A-87, Appendix A, Section (C)(1) states in part that for costs to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards, must be allocable to Federal awards under the provisions of the Circular, and must be adequately documented. Further, OMB Circular A-87, Appendix A, Section (C)(3), states that allocable costs are costs allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received, and may not be charged to other Federal awards to overcome fund deficiencies or to avoid restrictions imposed by law or terms of the Federal awards.

On August 10, 2005, the District remitted the unspent balance of its 2005 Special Education IDEA-B grant funding in the amount of \$111,090 to the Licking County Educational Service Center (ESC). The invoice provided to Northridge Local District from the ESC indicated that the amount due was for "professional support services"; however, no invoice detail was included to support the type of services provided or the services the ESC intended to provide. Since no documentation was provided to support that this transaction met the above OMB A-87 requirements, the entire amount is considered a questioned cost.

Additionally, the ESC segregated the above funding from Northridge Schools within its general fund, and from information provided by the ESC, during the period between July, 2005 and October, 2006, the Northridge Superintendent submitted various invoices for obligations incurred by Northridge Schools to the ESC for payment or reimbursement. The ESC remitted the funds on Northridge's behalf, to various vendors to pay for items which included the refinishing of the District's gym floors, painting of a gymnasium, furniture, the acquisition of a keyless security system, the District's website development, and various travel expenses. Review of invoices paid on behalf of the District by the Licking County ESC did not indicate that items purchased or services provided were to provide Special Education grant activities.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2006-006 (Continued)
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Questioned Costs

Allowable Costs/Allowable Activities – Special Education Grants to States (Continued)

Further, Ohio Rev. Code Section 3313.29 states in part, that the treasurer of a board of education shall keep an account of all school funds of the district and the treasurer shall receive all vouchers for payment and disbursement by the board and preserve such vouchers. The above expenditures were not processed by through Northridge School's accounting system and no supporting documentation was maintained by the District.

Ohio Rev. Code Section 3313.31 states in part that the treasurer shall be the chief fiscal officer of the school district and shall be responsible for the financial affairs of the district, subject to the direction of the district board of education. Further, Ohio Rev. Code Section 3313.51 states in part that every school district the treasurer of the board of education shall be the treasurer of the school funds. As noted above, and contrary to this section of state law, various vouchers were sent directly to the ESC Treasurer rather than being processed or maintained by the Northridge Local Schools Treasurer and the arrangement was not formally approved by the Board of Education.

Due to the absence of sufficient supporting documentation, subsequent transparency of the transactions and lack of Board oversight over the unwritten agreement between the District and the ESC, we are also referring this issue to the Ohio Department of Education for review.

We recommend that the District remit grant funding to service providers only for services that are allowable and allocable per the grant award. Special Education grant funds should only be utilized to provide educational services children with disabilities, as is required by the grant award. Sufficient documentation should be maintained to support all Federal expenditures, all transactions should be accounted for through the District Treasurer and that all agreements and contracts for services be approved by the Board of Education.

By maintaining accurate supporting documentation, and expending Federal funds only in accordance with grant requirements, the District will gain assurance that all expenditures paid using Federal grant funds are being made only for allowable activities and costs.

Officials' Response and Corrective Action Plan:

The District will request that the Licking County Educational Service Center provide the District with detailed monthly invoices for all special education funding services as they are provided, rather than summary billings at year-end. These monthly billings will include time and effort documentation to support service charges for speech therapy, aides, pre-school and psychologist services. Invoices will be approved for payment by the Special Education Coordinator, who will be responsible for submitting them to the Treasurer for payment. All supporting documentation for special education expenditures will be retained by the District's Treasurer.

The above corrective action plan has an anticipated completion date of February 1, 2007. For information regarding this corrective action plan, please contact Jacqueline Piar, Superintendent, Eugene Foust, Treasurer or John Shepard, Special Education Coordinator.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 5705.39 – Appropriations exceeding estimated resources	No	Repeated in current audit as Finding #2006-003
2005-002	ORC 5705.41(B) – Expenditures exceeding appropriations.	No	Repeated in current audit as Finding #2006-002



Mary Taylor, CPA
Auditor of State

NORTHRIDGE LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 1, 2007**