



Dave Yost • Auditor of State



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2017**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Northridge Local School District  
Montgomery County  
2008 Timber Lane  
Dayton, Ohio 45414

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 5, 2018

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**Northridge Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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The discussion and analysis of 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, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- At the start of fiscal year 2015 the School District entered into a three year agreement with the Northridge Teachers' Association and The Professionals Guild of Ohio (Effective July 2014 through July 31, 2017). Employees receive a 1.5 percent increase to base salary along with step advancement increases for each year of the contract.
- United Healthcare premiums saw a 3% increase and a 1% decrease to Delta Dental premiums and Vision Service Plan. In order to offer employees an alternative to a regular PPO Healthcare Plan the school District began offering a High Deductible Healthcare Plan with a Health Savings Account effective January of 2015.
- The State formula provides a number of different components to meet the needs of different populations of students. Northridge Schools realized a significant increase to State funding from the previous fiscal year. The largest increase was realized under the component of Capacity Aid, which is funded outside the cap. The School District saw an increase of \$980,972 partly from Capacity Aid and Disadvantage Pupils components.
- In May of 2015, the School District passed a Bond Levy in the amount of \$13,680,000 as well as a half mill maintenance levy for 23 years. The passage of the bond issue and half mill maintenance levy allowed the School District to enter into an agreement with The Ohio School Facilities Commission to design and construct one new elementary/middle/high school to house grades PK thru 12 along with integrating the 2005 Esther Dennis Middle School Gymnasium addition into the design. The School District will receive \$41,809,672 in State funds for the project. The project is scheduled to be complete in fiscal year 2020.

### **Using the Basic Financial Statements**

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

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's

**Northridge Local School District**  
*Management's Discussion and Analysis*  
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finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

### **Reporting the School District as a Whole**

#### *Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

### **Reporting the School District's Most Significant Funds**

#### *Fund Financial Statements*

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General, School Improvement Bond, and Classroom Facilities – State Capital Projects Funds.

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*Governmental Funds*

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

*Fiduciary Funds*

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

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net position for fiscal years 2017 and 2016:

Table 1  
 Net Position  
 Governmental Activities

	2017	2016	Change
<b>Assets:</b>			
Current and Other Assets	\$79,234,639	\$81,848,327	(\$2,613,688)
Capital Assets	14,927,665	10,008,549	4,919,116
Total Assets	94,162,304	91,856,876	2,305,428
 <b>Deferred Outflows of Resources:</b>			
Deferred Charge on Refunding	267,802	295,036	(27,234)
Pension	6,973,917	3,096,850	3,877,067
Total Deferred Outflows of Resources	\$7,241,719	\$3,391,886	\$3,849,833

*(continued)*

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*Management's Discussion and Analysis*  
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Table 1  
 Net Position  
 Governmental Activities  
 (Continued)

	2017	2016	Change
<b>Liabilities:</b>			
Other Liabilities	\$3,539,082	\$1,793,551	\$1,745,531
Long-Term Liabilities:			
Due Within One Year	750,022	649,876	100,146
Due In More Than One Year:			
Net Pension Liability	34,176,938	27,328,262	6,848,676
Other Amounts	23,239,456	24,096,483	(857,027)
Total Liabilities	<u>61,705,498</u>	<u>53,868,172</u>	<u>7,837,326</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	7,093,506	6,784,312	309,194
Pension	0	1,748,372	(1,748,372)
Total Deferred Inflows or Resources	<u>7,093,506</u>	<u>8,532,684</u>	<u>(1,439,178)</u>
<b>Net Position:</b>			
Net Investment in			
Capital Assets	7,164,561	1,383,383	5,781,178
Restricted	41,825,145	46,843,659	(5,018,514)
Unrestricted (Deficit)	(16,384,687)	(15,379,136)	(1,005,551)
Total Net Position	<u>\$32,605,019</u>	<u>\$32,847,906</u>	<u>(\$242,887)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

Capital Assets increased \$4,919,116, due to construction in progress relating to the Ohio School Facility Project. Current and Other Assets decreased \$2,613,688 due to a decrease in intergovernmental receivable related to the Ohio School Facility Project.

Deferred Outflows: Pension increased \$3,877,067 and Net Pension Liability increased \$6,848,676 due to an increase in proportionate share related to net pension liability.

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Total other liabilities increased \$1,745,531 from fiscal year 2016. The increase due to contracts and retainage payable related to the Ohio School Facility Project.

Net Investment in Capital Assets increased \$5,781,178 due to construction in progress related to the Ohio School Facility Project. Restricted net position decreased \$5,018,514 mainly due a decrease in the intergovernmental receivable related to the Ohio School Facility Project.

Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints, decreased \$1,005,551. The decrease is due to expenditures exceeding revenues.

Table 2 shows the changes in net position for the fiscal years 2017 and 2016.

Table 2  
 Changes in Net Position  
 Governmental Activities

	2017	2016	Change
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$1,927,139	\$1,705,588	\$221,551
Operating Grants, Interest and Contributions	4,610,739	4,138,596	472,143
Total Program Revenues	<u>6,537,878</u>	<u>5,844,184</u>	<u>693,694</u>
General Revenues:			
Property Taxes	7,704,156	6,797,875	906,281
Grants and Entitlements not Restricted to Specific Programs	13,305,898	55,228,949	(41,923,051)
Investment Earnings	296,934	342,241	(45,307)
Payments in Lieu of Taxes	0	13,671	(13,671)
Gifts and Donations	3,351	310	3,041
Miscellaneous	78,628	22,060	56,568
Total General Revenues	<u>21,388,967</u>	<u>62,405,106</u>	<u>(41,016,139)</u>
Total Revenues	<u>\$27,926,845</u>	<u>\$68,249,290</u>	<u>(\$40,322,445)</u>
			<i>(continued)</i>

**Northridge Local School District**  
*Management's Discussion and Analysis*  
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Table 2  
 Changes in Net Position  
 Governmental Activities  
 (Continued)

	2017	2016	Change
<b>Program Expenses:</b>			
Instruction:			
Regular	\$9,967,989	\$9,547,158	\$420,831
Special	4,089,364	3,622,517	466,847
Vocational	147	147	0
Student Intervention Services	267,554	30,394	237,160
Support Services:			
Pupils	1,613,551	1,491,389	122,162
Instructional Staff	906,287	782,109	124,178
Board of Education	41,679	33,828	7,851
Administration	2,617,563	2,334,482	283,081
Fiscal	522,489	467,649	54,840
Business	6,252	6,198	54
Operation and Maintenance of Plant	3,591,486	1,970,188	1,621,298
Pupil Transportation	1,542,520	1,300,405	242,115
Central	182,219	171,316	10,903
Operation of Non-Instructional Services	1,203,571	1,203,858	(287)
Extracurricular Activities	880,650	760,673	119,977
Interest and Fiscal Charges	736,411	882,560	(146,149)
Total Expenses	<u>28,169,732</u>	<u>24,604,871</u>	<u>3,564,861</u>
Change in Net Position	(242,887)	43,644,419	<u>(\$43,887,306)</u>
Net Position at Beginning of Year	<u>32,847,906</u>	<u>(10,796,513)</u>	
Net Position at End of Year	<u><u>\$32,605,019</u></u>	<u><u>\$32,847,906</u></u>	

**Governmental Activities**

In total, revenues decreased \$40,322,445 and expenses increased \$3,564,861, resulting in an overall net decrease of \$43,887,306. The large decrease is related to the Ohio School Facilities grants.

The increase in property tax revenue of \$906,281 was mainly due to the increased amount of property taxes collected in fiscal year 2017.

General Revenues decreased \$41,016,139 from fiscal year 2016. The decrease is mainly due to the majority of revenue related to the Ohio School Facilities project being collected in fiscal year 2016. Program Revenues increased \$693,694 from fiscal year 2016 due to an increase in federal grant funding.

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*Management's Discussion and Analysis*  
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Overall expenses increased \$3,564,861 from fiscal year 2016. Operation and Maintenance of Plant increased \$1,621,298 due to the Ohio School Facilities Construction Project.

**The School District's Funds**

The School District's major funds are the General Fund, School Improvement Bond and Classroom Facilities – State Capital Projects funds. These funds are accounted for using the modified accrual basis of accounting. The General Fund accounts for 64.8 percent of total revenues and 67.3 percent of total expenditures. The General Fund balance increased \$1,014,872 due to revenues exceeding expenditures for the year. The School improvement Bond Fund decreased \$648,758 due to expenditures related to the Ohio School Facilities Project. The Classroom Facilities – State fund increased \$2,228,122 due to intergovernmental revenue related to the Ohio School Facilities Project.

**General Fund Budgeting Highlights**

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

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

For the General Fund, the final budget basis revenue and other financing sources increased \$319,031 from the original budgeted estimates. The change was due to an increase in tuition and fees.

During the course of fiscal year 2017, the School District amended its appropriations several times. Final appropriations increased \$2,656,690 over original appropriations due to construction. Actual expenditures were \$600,575 less than final appropriations due to construction.



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**Capital Assets**

Table 3 shows fiscal year 2017 balances compared to fiscal year 2016.

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

	2017	2016
Land	\$1,793,574	\$1,793,574
Construction in Progress	4,692,100	0
Land Improvements	787,228	828,272
Buildings and Improvements	7,011,798	6,594,493
Furniture and Equipment	393,377	464,159
Vehicles	249,588	328,051
Totals	\$14,927,665	\$10,008,549

Overall capital assets increased \$4,919,116 from fiscal year 2016. The increase is due to construction in progress related to the Ohio School Facilities Project and the addition of the new administrative building. For more information on capital assets, refer to Note 9 of the basic financial statements.

**Debt Administration**

At June 30, 2017, the School District had \$17,415,000 in bonds outstanding, as well as premium on bonds in the amount of \$766,051. \$395,000 represents the amount of debt principal payments made during fiscal year 2017 and \$505,000 represents the amount of debt principal due during fiscal year 2018. The School District also had capital leases payable at fiscal year-end of \$4,500,000.

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

**Current Financial Issues and Concerns**

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

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

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jennifer Whitton, Treasurer, at Northridge Local School District, 2008 Timber Lane, Dayton, Ohio 45414, or email at [jwhitton@northridgeschools.org](mailto:jwhitton@northridgeschools.org).

**Northridge Local School District**

*Statement of Net Position*

*June 30, 2017*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$34,681,192
Accrued Interest Receivable	28,352
Intergovernmental Receivable	31,071,065
Accounts Receivable	3,499
Prepaid Items	21,350
Materials and Supplies Inventory	10,256
Inventory Held for Resale	9,262
Property Taxes Receivable	8,946,593
Investments with Escrow Agents	4,463,070
Nondepreciable Capital Assets	6,485,674
Depreciable Capital Assets, Net	8,441,991
Total Assets	<u>94,162,304</u>
<b>Deferred Outflows of Resources:</b>	
Deferred Charge on Refunding	267,802
Pension	6,973,917
Total Deferred Outflows of Resources	<u>7,241,719</u>
<b>Liabilities:</b>	
Accounts Payable	129,824
Retainage Payable	91,611
Contracts Payable	1,616,706
Accrued Wages and Benefits Payable	1,249,018
Matured Compensated Absences Payable	98,768
Accrued Interest Payable	73,732
Intergovernmental Payable	279,423
Long-Term Liabilities:	
Due Within One Year	750,022
Due in More Than One Year:	
Net Pension Liability (See Note 11)	34,176,938
Other Liabilities	23,239,456
Total Liabilities	<u>61,705,498</u>
<b>Deferred Inflows of Resources:</b>	
Property Taxes	<u>7,093,506</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	7,164,561
Restricted for:	
Debt Service	4,942,361
Capital Outlay	35,524,091
Food Service	797,295
District Managed Activities	9,523
Federal Grants	297,480
Classroom Maintenance	201,747
Special Education	11
Set-Asides	52,637
Unrestricted (Deficit)	<u>(16,384,687)</u>
Total Net Position	<u><u>\$32,605,019</u></u>

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2017

	Program Revenues			<i>Net (Expense)</i> Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants, Interest and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$9,967,989	\$1,106,528	\$443,342	(\$8,418,119)
Special	4,089,364	345,192	2,291,498	(1,452,674)
Vocational	147	0	16,326	16,179
Student Intervention Services	267,554	0	239,849	(27,705)
Support Services:				
Pupils	1,613,551	2,671	54,745	(1,556,135)
Instructional Staff	906,287	0	297,650	(608,637)
Board of Education	41,679	0	0	(41,679)
Administration	2,617,563	15,777	63,362	(2,538,424)
Fiscal	522,489	0	0	(522,489)
Business	6,252	0	0	(6,252)
Operation and Maintenance of Plant	3,591,486	0	0	(3,591,486)
Pupil Transportation	1,542,520	178,355	13,605	(1,350,560)
Central	182,219	0	0	(182,219)
Operation of Non-Instructional Services	1,203,571	74,243	1,185,845	56,517
Extracurricular Activities	880,650	204,373	4,517	(671,760)
Interest and Fiscal Charges	736,411	0	0	(736,411)
<b>Total Governmental Activities</b>	<b>\$28,169,732</b>	<b>\$1,927,139</b>	<b>\$4,610,739</b>	<b>(\$21,631,854)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	6,626,560
Debt Service	1,013,426
Classroom Facilities	64,170
Grants and Entitlements not Restricted to Specific Programs	13,305,898
Investment Earnings	296,934
Gifts and Donations	3,351
Miscellaneous	78,628
<b>Total General Revenues</b>	<b>21,388,967</b>

Change in Net Position (242,887)

Net Position at Beginning of Year 32,847,906  
Net Position at End of Year \$32,605,019

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2017*

	General Fund	School Improvement Bond Fund	Classroom Facilities - State Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$11,836,956	\$3,994,471	\$16,885,591	\$1,910,753	\$34,627,771
Receivables:					
Property Taxes	7,693,038	0	0	1,253,555	8,946,593
Accounts	3,449	0	0	50	3,499
Intergovernmental	38,201	0	30,450,920	581,944	31,071,065
Interfund	39,387	0	0	0	39,387
Accrued Interest	4,912	7,714	15,726	0	28,352
Materials and Supplies Inventory	6,604	0	0	3,652	10,256
Inventory Held for Resale	0	0	0	9,262	9,262
Prepaid Items	20,726	0	0	624	21,350
Restricted Assets:					
Investments with Escrow Agents	4,463,070	0	0	0	4,463,070
Equity in Pooled Cash and Cash Equivalents	53,421	0	0	0	53,421
<b>Total Assets</b>	<u>\$24,159,764</u>	<u>\$4,002,185</u>	<u>\$47,352,237</u>	<u>\$3,759,840</u>	<u>\$79,274,026</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$93,114	\$0	\$0	\$36,710	\$129,824
Contracts Payable	0	50,371	1,566,335	0	1,616,706
Retainage Payable	0	2,170	89,441	0	91,611
Interfund Payable	0	0	0	39,387	39,387
Accrued Wages and Benefits Payable	1,075,245	0	0	173,773	1,249,018
Matured Compensated Absences Payable	98,768	0	0	0	98,768
Intergovernmental Payable	253,440	0	0	25,983	279,423
<b>Total Liabilities</b>	<u>1,520,567</u>	<u>52,541</u>	<u>1,655,776</u>	<u>275,853</u>	<u>3,504,737</u>
<b>Deferred Inflows of Resources:</b>					
Property Taxes	6,100,056	0	0	993,450	7,093,506
Unavailable Revenue	1,214,861	4,611	30,460,320	626,833	32,306,625
<b>Total Deferred Inflows of Resources</b>	<u>7,314,917</u>	<u>4,611</u>	<u>30,460,320</u>	<u>1,620,283</u>	<u>39,400,131</u>
<b>Fund Balances:</b>					
Nonspendable	28,114	0	0	4,276	32,390
Restricted	4,515,718	3,945,033	15,236,141	1,932,468	25,629,360
Assigned	334,258	0	0	0	334,258
Unassigned (Deficit)	10,446,190	0	0	(73,040)	10,373,150
<b>Total Fund Balances</b>	<u>15,324,280</u>	<u>3,945,033</u>	<u>15,236,141</u>	<u>1,863,704</u>	<u>36,369,158</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$24,159,764</u>	<u>\$4,002,185</u>	<u>\$47,352,237</u>	<u>\$3,759,840</u>	<u>\$79,274,026</u>

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2017*

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Total Governmental Fund Balances	\$36,369,158
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land		1,793,574	
Construction in Progress		4,692,100	
Land Improvements		2,342,499	
Buildings and Improvements		19,706,062	
Furniture and Equipment		4,877,287	
Vehicles		1,255,106	
Accumulated Depreciation		<u>(19,738,963)</u>	
Total Capital Assets			14,927,665

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

Property Taxes		1,411,697	
Interest		15,578	
Intergovernmental Grants		<u>30,879,350</u>	
Total			32,306,625

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(73,732)

Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.

267,802

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds

Deferred Outflows - Pension		6,973,917	
Net Pension Liability		<u>(34,176,938)</u>	
Total			(27,203,021)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Premium on Bonds		(766,051)	
Accretion on Capital Appreciation Bonds		(331,425)	
General Obligation Bonds		(17,135,000)	
Capital Appreciation Bonds		(280,000)	
Capital Leases		(4,500,000)	
Compensated Absences		<u>(977,002)</u>	
Total Liabilities			<u>(23,989,478)</u>

Net Position of Governmental Activities	<u>\$32,605,019</u>
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See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2017*

	General Fund	School Improvement Bond Fund	Classroom Facilities - State Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$6,740,756	\$0	\$0	\$1,096,202	\$7,836,958
Intergovernmental	14,128,717	0	7,636,362	3,498,783	25,263,862
Interest	214,028	26,674	59,743	0	300,445
Tuition and Fees	1,624,235	0	0	0	1,624,235
Extracurricular Activities	24,388	0	0	83,423	107,811
Charges for Services	0	0	0	79,448	79,448
Rent	115,645	0	0	0	115,645
Gifts and Donations	26,777	0	0	8,217	34,994
Miscellaneous	78,232	0	0	396	78,628
<b>Total Revenues</b>	<b>22,952,778</b>	<b>26,674</b>	<b>7,696,105</b>	<b>4,766,469</b>	<b>35,442,026</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	8,789,800	0	0	406,273	\$9,196,073
Special	2,724,672	0	0	1,206,673	3,931,345
Student Intervention Services	61,245	0	0	206,309	267,554
Support Services:					
Pupils	1,540,930	0	0	48,428	1,589,358
Instructional Staff	630,001	0	0	255,899	885,900
Board of Education	35,227	0	0	0	35,227
Administration	2,471,682	0	0	36,104	2,507,786
Fiscal	539,263	0	0	18,960	558,223
Business	6,252	0	0	0	6,252
Operation and Maintenance of Plant	1,901,985	0	0	0	1,901,985
Pupil Transportation	1,396,101	0	0	0	1,396,101
Central	175,026	0	0	0	175,026
Operation of Non-Instructional Services	1,413	0	0	1,169,717	1,171,130
Extracurricular Activities	500,128	0	0	106,176	606,304
Capital Outlay	1,137,579	675,432	5,467,983	0	7,280,994
Debt Service:					
Principal Retirement	0	0	0	395,000	395,000
Interest and Fiscal Charges	26,602	0	0	664,399	691,001
<b>Total Expenditures</b>	<b>21,937,906</b>	<b>675,432</b>	<b>5,467,983</b>	<b>4,513,938</b>	<b>32,595,259</b>
Net Change in Fund Balances	1,014,872	(648,758)	2,228,122	252,531	2,846,767
Fund Balances at Beginning of Year	14,309,408	4,593,791	13,008,019	1,611,173	33,522,391
Fund Balances at End of Year	<u>\$15,324,280</u>	<u>\$3,945,033</u>	<u>\$15,236,141</u>	<u>\$1,863,704</u>	<u>\$36,369,158</u>

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*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, 2017*

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Net Change in Fund Balances - Total Governmental Funds \$2,846,767

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. In the current period, these amounts are:

Capital Outlay	5,666,213	
Current Year Depreciation Expense	<u>(747,097)</u>	
Excess of Capital Outlay over Depreciation Expense		4,919,116

Repayment of long-term obligations is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net position.  
These amounts consist of:

Refunding Bond Principal Payments	395,000
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Accretion and amortization of bond premiums, the deferred loss on refunding debt, as  
well as accrued interest payable on the bonds are not reported in the funds, but are  
allocated as an expense over the life of the debt in the Statement of Activities

Amortization of Premium on Bonds	68,658	
Amortization of Loss on Refunding	(27,234)	
Accretion on Capital Appreciation Bonds	(86,835)	
Decrease in Accrued Interest Payable	<u>1</u>	
Total		(45,410)

Because some revenues will not be collected for several months after the School  
District's fiscal year ends, they are not considered "available" revenues and are  
therefore recorded as deferred inflows of resources in the governmental funds.

Deferred inflows of resources changed by these amounts this fiscal year:

Property Taxes	(132,802)	
Intergovernmental Grants	(7,378,868)	
Interest	<u>(3,511)</u>	
Total		(7,515,181)

Contractually required contributions are reported as expenditures in governmental funds;  
however, the Statement on Net Position reports these amounts as deferred outflows. 1,748,406

Except for amounts reported as deferred inflows/outflows, changes in the net pension  
liability are reported as pension expense in the statement of activities. (2,971,643)

Some items reported in the statement of activities do not require the use of  
current financial resources and therefore are not reported as expenditures  
in governmental funds. These activities consist of:

Decrease in Compensated Absences	<u>380,058</u>
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Change in Net Position of Governmental Activities (\$242,887)

See Accompanying Notes to the Basic Financial Statements



**Northridge Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property Taxes	\$6,816,940	\$6,408,278	\$6,982,408	\$574,130
Intergovernmental	14,355,862	14,385,363	14,377,651	(7,712)
Interest	35,000	65,000	93,189	28,189
Tuition and Fees	1,361,750	1,976,672	1,623,885	(352,787)
Extracurricular Activities	22,463	20,071	24,191	4,120
Rent	100,000	100,000	114,999	14,999
Gifts and Donations	17,392	21,292	26,777	5,485
Payments in Lieu of Taxes	13,000	13,000	0	(13,000)
Miscellaneous	2,000	23,464	34,594	11,130
<b>Total Revenues</b>	<u>22,724,407</u>	<u>23,013,140</u>	<u>23,277,694</u>	<u>264,554</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction:				
Regular	8,562,180	9,789,961	8,866,655	923,306
Special	2,555,130	2,708,233	2,696,649	11,584
Student Intervention Service	49,424	52,385	59,197	(6,812)
Support Services:				
Pupils	1,285,741	1,586,358	1,547,020	39,338
Instructional Staff	513,013	599,511	648,191	(48,680)
Board of Education	29,303	45,994	35,722	10,272
Administration	2,177,278	2,309,817	2,551,024	(241,207)
Fiscal	409,387	490,937	551,491	(60,554)
Business	9,448	10,014	9,867	147
Operation and Maintenance of Plant	1,756,579	2,050,776	2,076,160	(25,384)
Pupil Transportation	1,145,016	1,299,740	1,410,451	(110,711)
Central	139,734	247,042	188,203	58,839
Operation of Non-Instructional Services	12,583	13,337	10,486	2,851
Extracurricular Activities	509,178	542,763	503,616	39,147
Capital Outlay	1,119,485	1,181,571	1,177,130	4,441
Debt Service:				
Interest and Fiscal Charges	28,870	30,600	26,602	3,998
<b>Total Expenditures</b>	<u>20,302,349</u>	<u>22,959,039</u>	<u>22,358,464</u>	<u>600,575</u>
<b>Excess of Revenues Over Expenditures</b>	<u>2,422,058</u>	<u>54,101</u>	<u>919,230</u>	<u>865,129</u>
<b>Other Financing Sources (Uses):</b>				
Payment to Escrow Agent	(216,578)	(229,555)	(819,633)	(590,078)
Refund of Prior Year Expenditures	50,000	80,298	80,298	0
<b>Total Other Financing Sources (Uses)</b>	<u>(166,578)</u>	<u>(149,257)</u>	<u>(739,335)</u>	<u>(590,078)</u>
<b>Net Change in Fund Balance</b>	2,255,480	(95,156)	179,895	275,051
<b>Fund Balance at Beginning of Year</b>	10,873,066	10,873,066	10,873,066	0
<b>Prior Year Encumbrances Appropriated</b>	494,183	494,183	494,183	0
<b>Fund Balance at End of Year</b>	<u>\$13,622,729</u>	<u>\$11,272,093</u>	<u>\$11,547,144</u>	<u>\$275,051</u>

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2017*

	Private Purpose Trust Fund	Agency Fund
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$5,143	\$16,295
<b><u>Liabilities:</u></b>		
Due To Students	0	\$16,295
<b><u>Net Position:</u></b>		
Held in Trust for Scholarships	\$5,143	

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Private Purpose Trust Fund
<b><u>Additions:</u></b>	
Contributions and Donations	\$1,357
Miscellaneous	522
	1,879
<b><u>Deductions:</u></b>	
Payment in Accordance With Trust Agreements	6,553
	(4,674)
Change in Net Position	(4,674)
Net Position at Beginning of Year	9,817
	\$5,143
	\$5,143

See Accompanying Notes to the Basic Financial Statements

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

*Reporting Entity:*

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

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

The School District participates in four jointly governed organizations, two insurance purchasing pools, and one public entity shared risk pool. These organizations are discussed in Note 17 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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Insurance Purchasing Pool:

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

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan  
Trust

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation**

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

*Government-wide Financial Statements*

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

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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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*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.

**Fund Accounting**

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

*Governmental Funds*

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

School Improvement Bond Fund – The School Improvement Bond Fund accounts for and reports restricted receipts and expenditures related to all special bond funds in the School District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund to be used for the costs of acquiring capital facilities including real property.

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

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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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*Fiduciary Funds*

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

**Measurement Focus**

*Government-wide Financial Statements*

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

*Fund Financial Statements*

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

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

**Basis of Accounting**

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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
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*Revenues - Exchange and Non-exchange Transactions:*

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

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

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

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding and pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 18.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which



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were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

*Expenses/Expenditures*

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

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

**Pensions**

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

**Cash and Cash Equivalents**

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

The School District holds money in a sinking fund to be used for the payment of the capital lease for the building renovation project. The balance in this account is presented on the financial statements as "Restricted Assets: Investments with Escrow Agents."

During fiscal year 2017, the School District invested in the State Treasury Asset Reserve of Ohio (STAROhio), Federal Home Loan Bank Notes, Federal Home Loan Mortgage Notes, Federal National Mortgage Association Notes, Commercial Paper, and Negotiable Certificates of Deposit. Investments are reported at fair value, which is based on the fund's share price. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted

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Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$214,028, which includes \$140,402 assigned from other School District funds.

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

### **Restricted Assets**

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

### **Inventory**

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

### **Capital Assets**

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition

**Northridge Local School District**  
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values as of the date received. The School District maintains a capitalization threshold of \$1,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-20 years
Buildings and Improvements	20-40 years
Furniture and Equipment	6-15 years
Vehicles	8 years

**Compensated Absences**

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

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

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

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

**Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences and net pension liability that will be paid

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
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from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

**Fund Balance**

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

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

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

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

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

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

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

**Net Position**

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

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

**Budgetary Process**

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

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

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

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*Notes to the Basic Financial Statements*  
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**Bond Premiums and Compounded Interest on Capital Appreciation Bonds**

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

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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

**Estimates**

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

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2017, the School District implemented GASB’s *Implementation Guide No. 2016-1*. These changes were incorporated in the School District’s fiscal year 2017 financial statements; however there was no effect on beginning net position/fund balance.

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2017, the following funds had a deficit fund balance:

<u>Funds</u>	<u>Amounts</u>
Special Revenue:	
Title VI-B	\$13,563
Title I	52,228
Title VI-R	7,249
Total	<u>\$73,040</u>

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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
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**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 Balance – Budget (Non-GAAP Basis) and Actual is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$1,014,872
Revenue Accruals	394,665
Expenditure Accruals	(34,193)
Encumbrances	(386,365)
Sinking Fund Payment to Escrow Agent	(819,633)
Change in Fair Value of Investments Fiscal Year 2016	6,804
Change in Fair Value of Investments Fiscal Year 2017	<u>3,745</u>
Budget Basis	<u><u>\$179,895</u></u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio and certain limitations of bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and



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8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

**Investments**

As of June 30, 2017, the School District had the following investments. Except for the investments held by escrow agents for the lease agreement, all investments are in an internal investment pool.

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Rating *</u>	<u>Percent of Total Investments</u>
Net Asset Value Per Share:				
STAROhio	\$ 9,203,060	Average 45.5 Days	AAAm	N/A
Fair Value - Level Two Inputs				
Federal Home Loan Bank Notes	1,225,181	Less than three years	Aaa	N/A
Federal Home Loan Mortgage Notes	666,935	Less than five years	Aaa	N/A
Federal National Mortgage Association Notes	2,427,642	Less than five years	Aaa	9%
Commercial Paper	6,643,093	Less than one year	P-1	25%
Negotiable Certificates of Deposit	6,004,420	Less than three years	N/A	23%
	<u>\$26,170,331</u>			

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

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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*Interest Rate Risk*

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

*Credit Risk*

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

*Concentration of Credit Risk*

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

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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The School District receives property taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows - property taxes.

The amount available as an advance at June 30, 2017, was \$441,390 and is recognized as revenue: \$379,688 in the General Fund, \$58,125 in the Bond Retirement Fund, and \$3,577 in the Classroom Facility Maintenance Fund. The amount available as an advance at June 30, 2016, was \$719,352 and is recognized as revenue: \$621,340 in the General Fund, \$92,327 in the Bond Retirement Fund, and \$5,685 in the Classroom Facility Maintenance Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$134,803,720	96%	\$134,714,800	96%
Public Utility Personal	4,965,390	4%	5,227,740	4%
Total Assessed Value	\$139,769,110	100%	\$139,942,540	100%
Tax Rate per \$1,000 of Assessed Valuation	\$76.42		\$76.42	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2017 consisted of property taxes, accounts, intergovernmental grants, interfund, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Ohio School Facilities Commission (OSFC) Grant monies will be collected over the life of the construction of new facilities. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	Amount
Early Childhood Education	\$36,000
Title I	522,795
Improving Teacher Quality	23,022
OSFC Grant	30,450,920
BWC Rebate	38,328
<b>Total Intergovernmental Receivable</b>	<b><u><u>\$31,071,065</u></u></b>

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Deductions	Balance 6/30/17
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$1,793,574	\$0	\$0	\$1,793,574
Construction in Progress	0	4,692,100	0	4,692,100
<b>Total Capital Assets, not Being Depreciated</b>	<b><u>1,793,574</u></b>	<b><u>4,692,100</u></b>	<b><u>0</u></b>	<b><u>6,485,674</u></b>
Capital Assets, Being Depreciated:				
Land Improvements	2,318,386	24,113	0	2,342,499
Buildings and Improvements	18,988,414	950,000	(232,352)	19,706,062
Furniture and Equipment	4,879,162	0	(1,875)	4,877,287
Vehicles	1,255,106	0	0	1,255,106
<b>Total Capital Assets, Being Depreciated</b>	<b><u>27,441,068</u></b>	<b><u>974,113</u></b>	<b><u>(234,227)</u></b>	<b><u>28,180,954</u></b>
Less Accumulated Depreciation:				
Land Improvements	(1,490,114)	(65,157)	0	(1,555,271)
Buildings and Improvements	(12,393,921)	(532,695)	232,352	(12,694,264)
Furniture and Equipment	(4,415,003)	(70,782)	1,875	(4,483,910)
Vehicles	(927,055)	(78,463)	0	(1,005,518)
<b>Total Accumulated Depreciation</b>	<b><u>(19,226,093)</u></b>	<b><u>(747,097) *</u></b>	<b><u>234,227</u></b>	<b><u>(19,738,963)</u></b>
<b>Capital Assets, Being Depreciated, Net</b>	<b><u>8,214,975</u></b>	<b><u>227,016</u></b>	<b><u>0</u></b>	<b><u>8,441,991</u></b>
<b>Total Governmental Activities</b>				
Capital Assets, Net	<b><u><u>\$10,008,549</u></u></b>	<b><u><u>\$4,919,116</u></u></b>	<b><u><u>\$0</u></u></b>	<b><u><u>\$14,927,665</u></u></b>

\*Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$307,999
Special	412
Vocational	147
Support Services:	
Pupils	16,422
Board of Election	5,938
Administration	1,898
Fiscal	392
Operation and Maintenance of Plant	60,737
Pupil Transportation	105,454
Central	8,543
Operation of Non-Instructional Services	17,847
Extracurricular Activities	221,308
Total Depreciation Expense	<u><u>\$747,097</u></u>

**NOTE 10 - RISK MANAGEMENT**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracted with the Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program (Note 17) for general liability, property, and fleet insurance.

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

**Medical Benefits**

The School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 55 school districts (Note 17). The School District pays monthly premiums to the Trust for employee medical, dental, life, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**Workers' Compensation**

The School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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

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a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Corporation provides administrative, cost control, and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

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

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

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

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

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

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**Plan Description - School Employees Retirement System (SERS)**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$575,076 for fiscal year 2017. Of this amount \$141,697 is reported as an intergovernmental payable.

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**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account



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to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,173,330 for fiscal year 2017. Of this amount \$16,150 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.09807130%	0.07863429%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.10007060%</u>	<u>0.08022192%</u>	
Change in Proportionate Share	<u>0.00199930%</u>	<u>0.00158763%</u>	
Proportionate Share of the Net			
Pension Liability	\$7,324,245	\$26,852,693	\$34,176,938
Pension Expense	\$808,406	\$2,163,237	\$2,971,643

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$98,788	\$1,084,977	\$1,183,765
Changes of assumptions	488,933	0	488,933
Net difference between projected and actual earnings on pension plan investments	604,144	2,229,495	2,833,639
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	114,628	604,546	719,174
School District contributions subsequent to the measurement date	<u>575,076</u>	<u>1,173,330</u>	<u>1,748,406</u>
Total Deferred Outflows of Resources	<u>\$1,881,569</u>	<u>\$5,092,348</u>	<u>\$6,973,917</u>

\$1,748,406 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$344,920	\$699,994	\$1,044,914
2019	344,484	699,994	1,044,478
2020	443,422	1,555,515	1,998,937
2021	<u>173,667</u>	<u>963,515</u>	<u>1,137,182</u>
Total	<u>\$1,306,493</u>	<u>\$3,919,018</u>	<u>\$5,225,511</u>

**Actuarial Assumptions - SERS**

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment

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until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent 3 percent	4.00 percent to 22.00 percent 3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$9,696,843	\$7,324,245	\$5,338,281

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
<b>Total</b>	<b>100.00 %</b>	<b>7.61 %</b>

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$35,685,049	\$26,852,693	\$19,402,083

**Changes between Measurement Date and Report Date**

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a

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reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2017, four members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a

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health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$52,804.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$52,804, \$52,036, and \$71,407, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

**State Teachers Retirement System of Ohio**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

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**NOTE 14 - LEASES - LESSEE DISCLOSURE**

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

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2017:

	Fiscal Year Ending June 30,	Amount
	2018	\$30,600
	2019	4,530,600
Total		4,561,200
Less: Amount Representing Interest		(61,200)
Present Value of Minimum Lease Payments		\$4,500,000

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

Types / Issues	Balance 6/30/16	Issued	Retired	Balance 6/30/17	Due Within One Year
<u>Governmental Activities:</u>					
2012 School Improvement					
Refunding Bonds:					
Serial Bonds 2.00-3.00%	\$3,850,000	\$0	\$395,000	\$3,455,000	\$405,000
Capital Appreciation					
Bonds 15.49-16.43%	280,000	0	0	280,000	0
Accretion on Capital					
Appreciation Bonds	244,590	86,835	0	331,425	0
Premium on Serial Bonds	67,716	0	6,251	61,465	0
Premium on Capital					
Appreciation Bonds	222,486	0	46,031	176,455	0
2015 School Improvement	13,680,000	0	0	13,680,000	100,000
Premium on Bonds	544,507	0	16,376	528,131	0
Total Long-Term Debt	\$18,889,299	\$86,835	\$463,658	\$18,512,476	\$505,000

(continued)



**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

Types / Issues	Balance 6/30/16	Issued	Retired	Balance 6/30/17	Due Within One Year
Other Long-Term Obligations:					
Net Pension Liability:					
SERS	\$5,596,044	\$1,728,201	\$0	\$7,324,245	\$0
STRS	21,732,218	5,120,475	0	26,852,693	0
Total Net Pension Liability	<u>27,328,262</u>	<u>6,848,676</u>	<u>0</u>	<u>34,176,938</u>	<u>0</u>
Compensated Absences Payable	1,357,060	408,670	788,728	977,002	245,022
Capital Lease Payable	<u>4,500,000</u>	<u>0</u>	<u>0</u>	<u>4,500,000</u>	<u>0</u>
Total Long-Term Obligations	<u>\$52,074,621</u>	<u>\$7,344,181</u>	<u>\$1,252,386</u>	<u>\$58,166,416</u>	<u>\$750,022</u>

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

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

The capital appreciation bonds, issued at \$280,000, are not subject to prior redemption. The fiscal year 2017 accretion amount was \$86,835. The capital appreciation bonds will mature December 1, 2018 and 2019, in the amount of \$830,000.

*School Improvement Bonds* – On October 7, 2015, Northridge Local School District issued \$13,680,000 in school improvement bonds. These bonds were issued for a 34-year period with final maturity on December 1, 2049. The bonds were issued for the construction, improvements and renovations to the school facilities. The bonds have a variable interest rate from 2 to 5 percent. The bonds maturing on December 1, 2035 and thereafter are subject to a mandatory sinking fund redemption price of 100 percent of the principal amount plus accrued interest to the date of redemption. The bonds will be paid from the Debt Service fund. At the end of the fiscal year 2017, the School District has \$12,413,697 in unspent proceeds

Due to the magnitude of the school facilities construction project, the debt issued by the School District exceeded the overall debt margin as permitted by Ohio statute by approximately \$3.9 million. However, the School District was declared a “special needs” school district, as defined by Section 133.06 of the Ohio Revised Code, by the Superintendent of Public Instruction therefore the School District’s debt in excess of the overall debt margin was allowable.

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Food Service, Title VI-B, Title I, and Title VI-R For additional information related to the net pension liability see Note 11.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30	Serial Bonds		Capital Appreciation	
	Principal	Interest	Principal	Interest
2018	\$505,000	\$655,399	\$0	\$0
2019	115,000	649,199	155,000	260,000
2020	120,000	646,849	125,000	290,000
2021	535,000	638,224	0	0
2022	575,000	622,899	0	0
2023-2027	3,095,000	2,851,199	0	0
2028-2032	1,385,000	2,488,234	0	0
2033-2037	1,875,000	2,205,613	0	0
2038-2042	2,615,000	1,673,875	0	0
2043-2047	3,625,000	930,150	0	0
2048-2050	2,690,000	165,600	0	0
Total	<u>\$17,135,000</u>	<u>\$13,527,241</u>	<u>\$280,000</u>	<u>\$550,000</u>

**NOTE 16 – INTERFUND ACTIVITY**

As of June 30, 2017, receivables and payables that resulted from various interfund transactions were as follows:

Payable	Nonmajor Governmental Funds	Receivable
		<u>General Fund</u>
		<u>\$39,387</u>

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receipt of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance. All advances are expected to be repaid within one year.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOL, AND PUBLIC ENTITY SHARED RISK POOL**

**Jointly Governed Organizations**

*Metropolitan Educational Technology Association*

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School paid META \$48,623 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

*Southwestern Ohio Educational Purchasing Council*

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 153 school districts in 18 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Board exercises total control over the operations of SOEPC including budgeting, appropriating, contracting and designating management. Each school district's degree of control is limited to its representation on the Board. Payments to SOEPC are generally made from the General Fund. During fiscal year 2017, the School District paid \$66,111 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

*Southwestern Ohio Instructional Technology Association*

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under chapter 1702 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of 21 representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area. The Board exercises total control over the operations of SOITA including budgeting, appropriating, contracting and designating management. Each school district's degree of control is limited to its representation on the Board.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2017, the School District paid \$1,507 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenburg, who serves as Executive Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

*Miami Valley Career Technology Center*

The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the nine participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, and one is appointed from the Miami County Educational Service Center. The Board exercises total control over the operations of the Career Technology Center including budgeting, appropriating, contracting and designating management. Each school district's degree of control is limited to its representation on the Board. The School District did not contribute financially to this organization during fiscal year 2017. To obtain financial information, write to the Miami Valley Career Technology Center, Matt Huffman, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

**Insurance Purchasing Pool**

*Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan*

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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

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

**Public Entity Shared Risk Pool**

*Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust*

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**NOTE 18 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

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

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

	Capital Improvements	Budget Stabilization
Set-aside Restricted Balance as of June 30, 2016	\$0	\$52,637
Current Fiscal Year Set-aside Requirement	293,507	0
Current Fiscal Year Offsets	(293,507)	0
Qualifying Disbursements	0	0
Set-aside Restricted Balance as of June 30, 2017	\$0	\$52,637
Set-aside Balances Carried Forward to Future Fiscal Years	\$0	\$52,637

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

**NOTE 19 – SIGNIFICANT COMMITMENTS**

**Encumbrances**

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

General Fund	\$386,365
School Improvement Bond Fund	2,318,065
Classroom Facilities - State Fund	39,703,962
Nonmajor Governmental Funds	34,012
Total	\$42,442,404

**Contractual Commitments**

The following table provides a summary of the outstanding contractual commitments as of June 30, 2017:

Project	Contract Amount	Amount Expended	Amount Remaining
K through 12 Building Project	\$46,525,928	\$4,692,267	\$41,833,661

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

**NOTE 20 - FUND BALANCES**

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

Fund Balances	General Fund	School Improvement Bond Fund	Classroom Facilities - State Fund	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Unclaimed Funds	\$784	\$0	\$0	\$0	\$784
Prepays	20,726	0	0	624	21,350
Inventory	6,604	0	0	3,652	10,256
<b><i>Total Nonspendable</i></b>	<b>28,114</b>	<b>0</b>	<b>0</b>	<b>4,276</b>	<b>32,390</b>
<b><i>Restricted for</i></b>					
Lease Payment	4,463,070	0	0	0	4,463,070
Special Education	11	0	0	0	11
Set Asides	52,637	0	0	0	52,637
Food Service	0	0	0	838,447	838,447
District Managed Activities	0	0	0	9,523	9,523
Debt Service	0	0	0	894,255	894,255
Capital Improvements	0	3,945,033	15,236,141	190,243	19,371,417
<b><i>Total Restricted</i></b>	<b>4,515,718</b>	<b>3,945,033</b>	<b>15,236,141</b>	<b>1,932,468</b>	<b>25,629,360</b>
<b><i>Assigned to</i></b>					
Purchases on Order	302,740	0	0	0	302,740
Principal Fund	31,518	0	0	0	31,518
<b><i>Total Assigned</i></b>	<b>334,258</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>334,258</b>
<b><i>Unassigned (Deficit)</i></b>	<b>10,446,190</b>	<b>0</b>	<b>0</b>	<b>(73,040)</b>	<b>10,373,150</b>
<b><i>Total Fund Balances</i></b>	<b>\$15,324,280</b>	<b>\$3,945,033</b>	<b>\$15,236,141</b>	<b>\$1,863,704</b>	<b>\$36,369,158</b>

**Northridge Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**NOTE 21 - CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

**School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**Litigation**

The School District is not currently involved in a legal proceeding as of June 30, 2017.

**NOTE 21 – SUBSEQUENT EVENT**

On February 26, 2018, The Northridge Board of Education entered into a 30 year lease agreement with the Montgomery County Educational Service Center to lease the old Northridge High School Building. This lease will start during Fiscal year 2019.



**Required Supplementary Information**

**Northridge Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Four Fiscal Years (1) \**

	2017	2016
School District's Proportion of the Net Pension Liability	0.10007060%	0.09807130%
School District's Proportionate Share of the Net Pension Liability	\$7,324,245	\$5,596,044
School District's Covered Payroll	\$2,975,971	\$2,950,171
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	246.11%	189.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

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

**Northridge Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Four Fiscal Years (1) \**

	2017	2016
School District's Proportion of the Net Pension Liability	0.08022192%	0.07863429%
School District's Proportionate Share of the Net Pension Liability	\$26,852,693	\$21,732,218
School District's Covered Payroll	\$8,205,693	\$8,178,807
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	327.24%	265.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

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

**Northridge Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$575,076	\$416,636	\$388,833	\$307,062
Contributions in Relation to the Contractually Required Contribution	<u>(575,076)</u>	<u>(416,636)</u>	<u>(388,833)</u>	<u>(307,062)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$4,107,686	\$2,975,971	\$2,950,171	\$2,215,458
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$305,495	\$339,365	\$62,356	\$538,654	\$259,800	\$246,879
(305,495)	(339,365)	(62,356)	(538,654)	(259,800)	(246,879)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,207,336	\$2,523,157	\$496,071	\$3,978,239	\$2,640,242	\$2,514,039
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**Northridge Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,173,330	\$1,148,797	\$1,145,033	\$1,024,149
Contributions in Relation to the Contractually Required Contribution	<u>(1,173,330)</u>	<u>(1,148,797)</u>	<u>(1,145,033)</u>	<u>(1,024,149)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$8,380,929	\$8,205,693	\$8,178,807	\$7,878,071
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%



<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$919,166	\$991,146	\$1,188,148	\$1,190,441	\$1,135,024	\$1,095,175
<u>(919,166)</u>	<u>(991,146)</u>	<u>(1,188,148)</u>	<u>(1,190,441)</u>	<u>(1,135,024)</u>	<u>(1,095,175)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,070,508	\$7,624,200	\$9,139,600	\$9,157,238	\$8,730,954	\$8,424,423
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Northridge Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2017*

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**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$296,793		\$296,793	
National School Lunch Program	10.555	N/A	712,151	\$60,953	712,151	\$60,953
Summer Food Service Program for Children	10.559	N/A	7,756		7,756	
Total Child Nutrition Cluster			<u>1,016,700</u>	<u>60,953</u>	<u>1,016,700</u>	<u>60,953</u>
Fresh Fruit and Vegetable Program	10.582	N/A	39,001		41,596	
Total U.S. Department of Agriculture			<u>1,055,701</u>	<u>60,953</u>	<u>1,058,296</u>	<u>60,953</u>
<b>U.S. Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	S010A160035	1,216,048		1,266,611	
Special Education Cluster (IDEA)						
Special Education Grants to States	84.027	H027A150111	441,385		440,882	
<i>Passed through Miami County Educational Service Center</i>						
Special Education Preschool Grants	84.173	N/A	5,652		5,652	
Total Special Education Cluster (IDEA)			<u>447,037</u>	-	<u>446,534</u>	-
<i>Passed through Ohio Department of Education</i>						
Supporting Effective Instruction State Grants	84.367	S367A160034	124,773		139,522	
Total U.S. Department of Education			<u>1,787,858</u>	-	<u>1,852,667</u>	-
Total Receipts and Expenditures of Federal Awards.			<u>\$2,843,559</u>	<u>\$60,953</u>	<u>\$2,910,963</u>	<u>\$60,953</u>

The accompanying notes are an integral part of this schedule.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Northridge Local School District (the School District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**NOTE E - MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

Northridge Local School District  
Montgomery County  
2008 Timber Lane  
Dayton, Ohio 45414

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 5, 2018.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

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***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 5, 2018



# Dave Yost • Auditor of State

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

Northridge Local School District  
Montgomery County  
2008 Timber Lane  
Dayton, Ohio 45414

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Northridge Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Northridge Local School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

### ***Management's Responsibility***

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect the major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, Northridge Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

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**Report on Internal Control Over Compliance**

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 5, 2018



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# ***Northridge Local Schools***

*Educating Today for Tomorrow's Success*

Office of the Treasurer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Material Weakness and Noncompliance – Cash Management, Advances Not Timely Expended	Corrective Action Taken and Finding is Fully Corrected	Corrective action plan is in place to make sure all Federal advances are spent within 5 days of receipt.

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# Dave Yost • Auditor of State

**NORTHRIDGE LOCAL SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 27, 2018**