

GENERAL PURPOSE FINANCIAL STATEMENT

of the

Northridge Local School District

for the

Fiscal Year Ended June 30, 1999

Prepared By

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Johnstown, Ohio

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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Board of Education
Northridge Local School District
Johnstown, Ohio

We have reviewed the independent auditor's report of the Northridge Local School District, Licking County, prepared by Jones, Cochenour & Co., Certified Public Accountants, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northridge Local School District is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

February 16, 2000



INDEPENDENT AUDITORS' REPORT

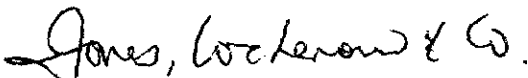
Board of Education
Northridge Local School District
Johnstown, Ohio

We have audited the accompanying general purpose financial statements of Northridge Local School District, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of Northridge Local School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material aspects, the financial position of Northridge Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2000 on our consideration of Northridge Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.


Jones, Cochenour & Co.
January 19, 2000

NORTHBRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1999

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Asset Account Group	General Long-Term Debt Account Group	Totals (Memorandum)
Assets and Other Debits:									
Equity in Pooled Cash and Cash Equivalents	\$45,405	\$77,436	\$207,252	\$379,836	\$19,868	\$28,453	\$0	\$0	\$758,250
Receivables:									
Taxes									3,383,477
Accounts	2,562,599	33,650	797,228	-	-	-	-	-	8,441
Income Taxes	1,133	-	-	-	6,046	1,282	-	-	555,227
Materials and Supplies Inventory	555,227	-	-	-	-	-	-	-	7,569
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	58,147	-	-	-	-	-	-	-	58,147
Fixed Assets	-	-	-	-	349,660	-	20,840,689	-	21,190,349
Accumulated Depreciation	-	-	-	-	(80,776)	-	-	-	(80,776)
Other Debits:									
Amount in Debt Services Fund for Retirement of Provided from General Government Resources	-	-	-	-	-	-	-	211,539	211,539
Total Assets and Other Debits	\$3,212,511	\$111,086	\$1,004,480	\$379,836	\$302,367	\$29,715	\$20,840,689	\$15,751,326	\$41,632,010
Liabilities:									
Accounts Payable	\$147,788	\$3,035	\$0	\$0	\$374	\$717	\$0	\$0	\$151,914
Contracts Payable	-	-	-	64,016	-	-	-	-	64,016
Accrued Wages and Benefits	567,915	27,335	-	-	17,356	-	-	-	612,606
Compensated Absences Payable	74,650	-	-	-	10,818	-	-	506,172	597,640
Intergovernmental Payable	111,884	-	-	-	12,831	-	-	78,719	203,434
Deferred Revenue	2,348,662	30,916	733,461	-	3,454	-	-	-	3,116,493
Due to Students	-	-	-	-	-	29,715	-	-	29,715
Notes Payable	450,000	-	-	-	-	-	-	5,841,435	6,291,435
General Obligation Bonds Payable	-	-	-	-	-	-	-	9,325,000	9,325,000
Total Liabilities	3,700,899	61,286	733,461	64,016	50,833	30,432	-	15,751,326	20,392,253
Fund Equity and Other Credits:									
Investment in General Fixed Assets	-	-	-	-	-	-	20,840,689	-	20,840,689
Contributed Capital	-	-	-	-	271,534	-	-	-	271,534
Retained Earnings:									
Unreserved:									
Fund Balances:									
Reserved:									
Reserved for Encumbrances	17,088	15,261	-	171,038	-	-	-	-	203,387
Reserved for Debt Service Principal	-	-	211,539	-	-	-	-	-	211,539
Reserved for Property Taxes	190,248	2,553	59,480	-	-	-	-	-	252,281
Reserved for Budget Stabilization	58,147	-	-	-	-	-	-	-	58,147
Unreserved, Undesignated	(753,671)	31,986	-	144,782	-	(717)	-	-	(577,820)
Total Fund Equity and Other Credits	(488,388)	49,800	271,019	315,820	251,534	(717)	20,840,689	-	21,239,797
Total Liabilities, Fund Equity and Other Credits	\$3,212,511	\$111,086	\$1,004,480	\$379,836	\$302,367	\$29,715	\$20,840,689	\$15,751,326	\$41,632,010

The notes to the general purpose financial statements are an integral part of this statement.

NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum)
Revenues:					
Intergovernmental	\$3,562,648	\$213,751	\$83,706	\$124,097	\$3,984,202
Interest	2,612	-	-	23,066	25,678
Tuition and Fees	29,989	-	-	-	29,989
Rent	1,866	-	-	-	1,866
Extracurricular Activities	-	117,831	-	-	117,831
Customer Services	33,334	-	-	30,000	63,334
Income Tax	1,202,250	-	-	-	1,202,250
Property & Other Local Taxes	2,049,467	28,474	769,010	-	2,846,951
Total Revenues	6,882,166	360,056	852,716	177,163	8,272,101
Expenditures:					
Current:					
Instruction:					
Regular	3,314,384	37,159	-	151,957	3,503,500
Special	337,439	162,585	-	-	500,024
Vocational	169,629	-	-	-	169,629
Other	55,544	-	-	-	55,544
Support Services:					
Pupils	202,807	-	-	-	202,807
Instructional Staff	216,091	14,203	-	-	230,294
Board of Education	8,830	-	-	-	8,830
Administration	723,273	-	-	-	723,273
Fiscal	180,526	492	12,763	-	193,781
Business	22,620	-	-	-	22,620
Operation and Maintenance of Plant	696,526	3,069	-	-	699,595
Pupil Transportation	920,343	-	-	-	920,343
Central	112,484	14,210	-	-	126,694
Non-Instructional Services	52,777	-	-	-	52,777
Extracurricular activities	103,736	126,416	-	-	230,152
Capital Outlay	4,188	-	-	36,310	40,498
Debt Service:					
Debt Service - Principal	-	-	277,139	-	277,139
Debt Service - Interest	-	-	564,193	-	564,193
Total Expenditures	7,121,197	358,134	854,095	188,267	8,521,693
Excess of Revenues Over (Under) Expenditures	(239,031)	1,922	(1,379)	(11,104)	(249,592)
Other Financing Sources and Uses					
Operating Transfers In	-	-	10,125	-	10,125
Proceeds from Sale of Fixed Assets	3,750	-	-	-	3,750
Refund of Prior Year Expenditures	909	100	-	-	1,009
Operating Transfers Out	(30,125)	-	-	-	(30,125)
Refund of Prior Year Receipts	-	(18)	-	-	(18)
Total Other Financing Sources (Uses)	(25,466)	82	10,125	-	(15,259)
Excess of Rev and Other over Exp and Other...	(264,497)	2,004	8,746	(11,104)	(264,851)
Fund Balance at Beginning of Year	(223,891)	47,796	262,273	326,924	413,102
Fund Balance at End of Year	(\$488,388)	\$49,800	\$271,019	\$315,820	\$148,251

The notes to the general purpose financial statements are an integral part of this statement.

NORTHTRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$3,324,334	\$3,324,334	\$0	\$209,185	\$209,185	\$0
Interest	2,613	2,613	-	-	-	-
Tuition and Fees	29,256	29,227	(29)	-	-	-
Rent	1,485	1,555	70	-	-	-
Extracurricular Activities	-	-	-	117,681	117,831	150
Gifts and Donations	-	-	-	-	-	-
Customer Services	33,334	33,334	-	-	-	-
Income Tax	824,635	824,635	-	-	-	-
Property & Other Local Taxes	2,512,856	2,512,856	-	27,239	27,239	-
Total Revenues	6,728,513	6,728,554	41	354,105	354,255	150
Expenditures:						
Current:						
Instruction:						
Regular	3,220,600	3,220,600	-	40,526	33,719	6,807
Special	339,488	339,488	-	158,982	158,910	2,072
Vocational	169,485	169,485	-	-	-	-
Other	55,476	55,474	2	-	-	-
Support Services:						
Pupils	186,268	186,168	100	-	-	-
Instructional Staff	214,103	214,103	-	15,156	14,557	599
Board of Education	8,834	8,834	-	-	-	-
Administration	709,489	708,615	874	-	-	-
Fiscal	177,687	177,687	-	492	492	-
Business	22,620	22,620	-	-	-	-
Operation and Maintenance of Plant	721,985	721,067	918	45,073	11,570	33,503
Pupil Transportation	844,916	840,506	4,410	-	-	-
Central	112,484	112,484	-	27,722	15,107	12,615
Non-Instructional Services	50,925	50,925	-	-	-	-
Extracurricular activities	105,321	104,731	590	131,029	127,450	3,579
Capital Outlay	4,189	4,189	-	-	-	-
Debt Service:						
Debt Service - Principal	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-
Total Expenditures	6,943,869	6,936,975	(6,894)	418,980	359,805	(59,175)
Excess of Revenues Over (Under) Expenditures	(215,356)	(208,421)	6,935	(64,875)	(5,550)	59,325
Other Financing Sources and Uses						
Operating Transfers In	-	-	-	-	-	-
Proceeds from Sale of Fixed Assets	3,750	3,750	-	-	-	-
Refund of Prior Year Expenditures	59,057	59,057	-	100	100	-
Operating Transfers Out	(30,125)	(30,125)	-	-	-	-
Refund of Prior Year Receipts	-	-	-	(18)	(18)	-
Total Other Financing Sources (Uses)	32,682	32,682	-	82	82	-
Excess of Rev and Other over Exp and Other...	(182,674)	(175,739)	6,935	(64,793)	(5,468)	59,325
Fund Balances at Beginning of Year	215,974	215,974	-	60,409	60,409	-
Prior Year Encumbrances Appropriated	25,429	25,429	-	7,233	7,233	-
Fund Balance at end of Year	\$58,729	\$65,684	\$6,955	\$2,849	\$62,174	\$59,325

The notes to the general purpose financial statements are an integral part of this statement.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$83,706	\$83,706	\$0	\$120,797	\$124,097	\$3,300	\$3,738,022	\$3,741,322	\$3,300
-	-	-	22,498	23,086	570	25,109	25,679	570
-	-	-	-	-	-	29,256	29,227	(29)
-	-	-	-	-	-	1,485	1,555	70
-	-	-	-	-	-	117,681	117,831	150
-	-	-	-	30,000	30,000	-	30,000	30,000
-	-	-	-	-	-	33,334	33,334	-
-	-	-	-	-	-	824,635	824,635	-
785,170	785,170	-	-	-	-	3,325,265	3,325,265	-
868,876	868,876	-	143,293	177,183	33,870	8,094,787	8,128,848	34,061
-	-	-	252,691	158,069	94,622	3,513,817	3,412,388	101,429
-	-	-	-	-	-	498,470	496,398	2,072
-	-	-	-	-	-	169,485	169,485	-
-	-	-	-	-	-	55,476	55,474	2
-	-	-	-	-	-	186,268	186,168	100
-	-	-	-	-	-	229,259	228,660	599
-	-	-	-	-	-	8,834	8,834	-
-	-	-	-	-	-	709,489	708,615	874
23,000	12,763	10,237	-	-	-	201,179	190,942	10,237
-	-	-	-	-	-	32,620	22,620	-
-	-	-	-	-	-	767,058	732,637	34,421
-	-	-	-	-	-	844,916	840,506	4,410
-	-	-	3,150	-	3,150	143,356	127,591	15,765
-	-	-	-	-	-	50,925	50,925	-
-	-	-	-	-	-	236,350	232,181	4,169
-	-	-	1,069,968	992,813	77,155	1,074,156	997,001	77,155
-	-	-	-	-	-	-	-	-
414,660	247,000	167,660	-	-	-	414,660	247,000	167,660
644,487	594,332	50,155	-	-	-	644,487	594,332	50,155
1,082,147	854,095	(228,052)	1,325,809	1,150,882	(174,927)	9,770,805	9,501,757	469,048
(213,271)	14,781	228,052	(1,182,516)	(973,719)	208,797	(1,676,018)	(1,172,909)	503,109
10,125	10,125	-	-	-	-	10,125	10,125	-
-	-	-	-	-	-	3,750	3,750	-
-	-	-	-	-	-	59,157	59,157	-
-	-	-	-	-	-	(30,125)	(30,125)	-
-	-	-	-	-	-	(18)	(18)	-
10,125	10,125	-	-	-	-	42,889	42,889	-
(203,146)	24,906	228,052	(1,182,516)	(973,719)	208,797	(1,633,129)	(1,130,020)	503,109
203,146	203,146	-	362,726	362,726	-	842,255	842,255	-
-	-	-	819,790	819,790	-	852,452	852,452	-
\$0	\$228,052	\$228,052	\$0	\$208,797	\$208,797	\$61,578	\$564,687	\$503,109

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Enterprise
Operating Revenues:	
Sales	\$177,639
Charges for Services	770
Total Operating Revenues	178,409
Operating Expenses:	
Salaries	85,275
Fringe Benefits	10,864
Purchased Services	4,724
Materials and Supplies	146,736
Depreciation	16,162
Total Operating Expenses	263,761
Operating Loss	(85,352)
Non-Operating Revenues and Expenses:	
Federal Donated Commodities	15,876
Interest	55,215
Federal and State Subsidies	49,172
Total Non-Operating Revenues and Expenses	120,263
Income Before Operating Transfers	34,911
Operating Transfers-In	20,000
Net Income	54,911
Retained Earnings at Beginning of Year	(74,911)
Retained Earnings at End of Year	(20,000)
Contributed Capital Beginning of Year	271,534
Contributed Capital End of Year	271,534
Total Fund Equity at the End of Year	\$251,534

The notes to the general purpose financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Enterprise
Increase/(Decrease) in Cash & Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$177,639
Cash Received from Charges for Services	770
Cash Pmts. to Suppliers for Goods & Service	(129,821)
Cash Payments for Contract Services	(4,724)
Cash Payments for Employee Services	(133,913)
Cash Payments for Employee Benefits	(16,055)
Net Cash Provided by (Used for) Operating Activities	(106,104)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	43,126
Other Nonoperating Revenues	55,215
Operating Transfers In	20,000
Net Cash Provided by (Used for) Noncapital Financing Activities	118,341
Net Increase (Decrease) in Cash and Cash Equivalents	12,237
Cash & Cash Equivalents at Beginning of Year	7,631
Cash & Cash Equivalents at End of Year	\$19,868
Reconciliation of Operating Income (loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating Loss	(\$85,352)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided by (Used for) Operating Activities:	
Depreciation	16,162
Donated Commodities Used During the Year	15,876
(Increase) Decrease in Assets:	
Material and Supplies Inventory	654
Increase (Decrease) in Liabilities:	
Accounts Payable	374
Compensated Absences Payable	(5,367)
Intergovernmental Payable	(45,693)
Deferred Revenue	11
Accrued Wages and Benefits	(2,769)
Total Adjustments	(20,752)
Net Cash Provided by (Used for) Operating Activities	(\$106,104)

The notes to the general purpose financial statements are an integral part of this statement.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1962 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 120 square miles. It is located in Licking, Knox and Delaware Counties, and includes the Villages of Alexandria and Croton and Burlington Township. The School District is the 413th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 44 non-certificated employees and 100 certificated full-time teaching personnel who provide services to 1,346 students and other community members. The School District currently operates 5 instructional buildings, one administrative building, and one garage.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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. The School District does not have any component units.

The School District is associated with three organizations, which are defined as jointly governed organizations and a related organization. These organizations include the Licking Area Computer Association, the Licking County Joint Vocational School District, and the Alexandria Public Library, respectively. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those, found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

**Northridge Local School District
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**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

Interest income earned for fiscal year 1999 totaled \$25,678. Following Ohio statutes the Board of Education has, by resolution, specified the capital project fund to receive an allocation of interest earnings. Interest revenue credited to the general fund totaled \$2,612.

**Northridge Local School District
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**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**Northridge Local School District
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**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Teacher Development
- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Instructional Material Subsidy

Capital Projects Funds

- School Net Plus
- Classroom Facilities

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 45 percent of the School District's operating revenue during the 1999 fiscal year.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets. At June 30, 1999, the School District had no amounts in "Due to Other Funds" and no amounts in "Interfund Receivable/Payable".

J. 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. 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.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 20 years of current service with the School District, or after 15 years of service and at least 45 years of age, or after 10 years of service and at least 50 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 22 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

**Northridge Local School District
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**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Estimates

The preparation of 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.

Q. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied provided the funds are "available". "Available" means when due, or past due, and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1999, and, accordingly, have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible. The fair value of taxes receivable is the same as the carrying value.

R. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

NOTE 3 - ACCOUNTABILITY

Accountability

At June 30, 1999, the General, Management Information System, Title VI-B, and Title I Funds had deficit fund balances of \$488,388, \$742, \$14,900, and \$9,621, respectively. These were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	(\$175,739)	(\$5,468)	\$24,906	(\$973,719)
Adjustments for:				
Revenue Accruals	153,613	5,802	(16,160)	0
Expenditure Accruals	(201,311)	(13,592)	0	791,577
Other Sources/Uses	(58,147)	0	0	0
Encumbrances	17,087	15,262	0	171,038
GAAP Basis	<u>(\$264,497)</u>	<u>\$2,004</u>	<u>\$8,746</u>	<u>(\$11,104)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawal 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**Northridge Local School District
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**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investments at any one time.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year end, the carrying amount of the School District's deposits was \$816,397 and the bank balance was \$907,716. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$807,716 was uninsured and uncollateralized. Although all state statutory requirements for the deposits of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: During fiscal year 1999, the School District did not have any investments.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

**Northridge Local School District
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**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Licking, Knox, and Delaware Counties. The County Auditors 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$190,248 in the General Fund, \$2,553 in the Special Revenue Fund and \$59,480 in the Bond Retirement Debt Service Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$103,699,690	89 %	\$107,958,980	96%
Public Utility	11,371,560	10%	3,604,890	3%
Tangible Personal Property	1,357,270	1%	1,247,060	1%
Total Assessed Value	<u>\$116,428,520</u>	<u>100%</u>	<u>\$112,810,930</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$42.70		\$42.70	

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

NOTE 7 - INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1998, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes	\$2,552,599
Accounts Receivable	1,133
Income Taxes	555,227
Special Revenue	
Taxes	33,650
Debt Service	
Taxes	797,228
Enterprise	
Accounts	6,046
Agency	
Accounts	1,262
Total	\$3,947,145

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$349,660
Less: Accumulated Depreciation	(80,776)
Net Fixed Assets	\$268,884

**Northridge Local School District
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**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$65,989	\$0	\$0	\$65,989
Buildings and Improvements	13,558,638	584,654	0	14,143,292
Construction In Progress	4,170,991	0	0	4,170,991
Furniture and Equipment	1,515,240	270,598	0	1,785,838
Vehicles	674,579	0	0	674,579
Totals	\$19,985,437	\$855,252	\$0	\$20,840,689

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$1,000	\$23,441,300
Inland Marine Coverage	0	25,000
Boiler and Machinery	1,000	15,489,400
Crime Insurance	0	20,000
Automobile Liability		
Each Accident	250	100,000
Each Person	250	300,000
Uninsured Motorists	250	300,000
General Liability		
Per occurrence	0	2,000,000
Per Year	0	5,000,000

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

**Northridge Local School District
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**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Northridge Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Northridge Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$190,748, \$121,086, and \$136,116, respectively; 54 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for fiscal years 1998 and 1997. \$88,260 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Northridge Local School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provided basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS, 275 E. Broad St., Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$538,694, \$582,220, and \$440,016, respectively; 85 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for fiscal years 1998 and 1997. \$82,344 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998 (the latest information available).

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

For the year ended June 30, 1998, (the latest information available) net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .450, then adding the surcharge due as of June 30, 1999, as certified to your district by SERS.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is unlimited for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit for employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Blue Cross and Blue Shield.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Balance At 07/01/98	Additions	Deductions	Balance at 06/30/99
Classroom Facilities General Obligation Bonds	\$8,825,000	\$0	\$190,000	\$8,635,000
Classroom Facilities Loan	5,901,712	0	60,277	5,841,435
Energy Conservation Bonds	747,000	0	57,000	690,000
Total Long Term Bonds	<u>\$15,473,712</u>	<u>\$0</u>	<u>\$307,277</u>	<u>\$15,166,435</u>
Pension Obligations	65,504	13,215	0	78,719
Compensated Absences	668,765	0	162,593	506,172
Total Long-Term Obligations	<u>\$16,207,981</u>	<u>\$13,215</u>	<u>\$469,870</u>	<u>\$15,751,326</u>

Classroom Facilities General Obligation Bonds - On November 1, 1995, the Northridge Local School District issued \$9,112,344 in voted general obligation bonds for the purpose of an addition and improvement to the junior high school building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2018 and with an interest rate of 4.90 to 6.75 percent. The bonds will be retired from the debt service fund.

Classroom Facilities Loan - On November 1, 1995, the voters of the School District passed a .5 mill levy to qualify for State Building Assistance Funds. The School District received a \$6,000,000 interest free loan from the State of Ohio for the construction and reconstruction of classroom facilities. The outstanding balance of \$5,841,435 is payable over the next 19 years from property tax collections repaid at the rate of one-half mill until the loan is paid or the total time of 23 years expires. During fiscal year 1999, the School District repaid \$60,277 of the state loan. The state loan is exempt from debt limitations.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

Pursuant to changes to Section 3318.082 ORC made in SB102, the school districts which have participated in the building assistance program may enter into a supplemental agreement with the Ohio School Facilities Commission in order that proceeds of the one-half mill tax can be distributed in accordance with Section 3318.06 ORC as amended by Amended Substitute House Bill number 748 of the 121st General Assembly. This change allows the School District to retain half of the one-half mill locally for maintenance of classroom facilities constructed or renovated through building assistance as the School District's adjusted valuation per pupil is greater than the statewide median adjusted valuation per pupil in a given year, the School District will be notified that all such proceeds shall be used for maintenance. Effective January 1, 1999, the School District retained the half-mill locally as per supplemental agreement.

Energy Conservation Bonds - On May 5, 1997, the Northridge Local School District issued \$747,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The bonds were issued for a ten year period with final maturity during fiscal year 2008 and with an interest rate of 5.479 percent. The bonds will be retired from the debt service fund.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$377,984 with an unvoted debt margin of \$112,811 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$260,000	\$524,437	\$784,437
2001	285,000	507,049	792,049
2002	305,000	488,166	793,166
2003	330,000	467,780	797,780
2004	355,000	445,711	800,711
2005-2009	2,120,000	1,886,659	4,006,659
2010-2014	2,390,000	1,293,865	3,683,865
2015-2019	3,280,000	494,931	3,774,931
Total	<u>\$9,325,000</u>	<u>\$6,108,598</u>	<u>\$15,433,598</u>

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

NOTE 15 – SHORT-TERM OBLIGATIONS

The changes in the School District's short-term obligations during fiscal year 1999 was as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 06/30/99
Income Tax Anticipation Notes 1998 – 4.5%	\$450,000	-	-	\$450,000

In 1998, the School District issued income tax anticipation notes in the amount of \$450,000. The School District will retire \$225,000 in fiscal year 2000 and the remaining \$225,000 in fiscal year 2001. This note is retired from the general fund.

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments, for the new high school and the middle school conversion, as follows:

Company	Project	Amount Remaining on Contract
Various	Construction work	\$58,315
Fanning/Howey		40,636
Quandell		3,660
Total Contractual Commitments		\$102,611

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains one enterprise fund to account for the operations of food service. The table below reflects the more significant financial data relating to the enterprise funds of the Northridge Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service
Operating Revenues	\$178,409
Operating Expenses	(247,599)
Depreciation Expense	(16,162)
Operating (Loss)	(85,352)
Donated Commodities	15,876
Other Non Operating	55,215
Grants	49,172
Transfer In	20,000
Net Income	54,911
Net Working Capital	(\$17,350)
Total Assets	\$302,367
Total Liabilities	\$50,833
Total Equity	\$251,534

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

Licking Area Computer Association - The School District is a participant in the Licking Area Computer Association, (LACA) which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking County. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. LACA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District does not have an ongoing financial interest or responsibility in LACA. To obtain financial information write to the Licking Area Computer Association, Shirley Dupps, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

Licking County Joint Vocational School District - The Licking County Joint Vocational School District 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 9 participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Licking County Joint Vocational School District, Shirley Dupps, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

NOTE 19 - RELATED ORGANIZATION

Alexandria Public Library - The Alexandria Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Northridge Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Alexandria Public Library, Priscilla Horn, Treasurer, at 10 Maple Street, Alexandria, Ohio 43001.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

NOTE 20 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 1999, are summarized by source as follows:

	<u>Food Service</u>
Contributed Capital, July 1, 1998	\$271,534
Current Contributions:	
Other Funds	<u>0</u>
Contributed Capital, June 30, 1999	<u>\$271,534</u>

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 1999.

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$58,147	\$58,147
Current Year Set-aside Requirement	95,748	95,748	0	191,496
Current Year Offsets	(18,529)	0	0	(18,529)
Qualifying Disbursements	(198,677)	(130,796)	0	(329,473)
Total	<u>(\$121,458)</u>	<u>(\$35,048)</u>	<u>\$58,147</u>	<u>(\$98,359)</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$58,147</u>	
Amount restricted for Budget Stabilization				<u>\$58,147</u>
Total Restricted Assets				<u>\$58,147</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 23- STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$3,203,503 of school foundation support for its general fund.

In addition, the Court also declared the classroom facilities program unconstitutional because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided a loan of \$6,000,000 to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$6,000,000 under this program.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTE 24 – YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

As of June 30, 1999, the school district has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State's Education Management and Information System (EMIS). The District had contacted some suppliers, vendors, customers, creditors, utility companies and Licking Area Computer Association (LACA) and maintains some year 2000 compliance documentation received from these vendors.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

Licking, Knox and Delaware counties collect property taxes for distribution to the District. They are responsible for remediating their collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

The School District had contacted some of the manufacturers/vendors of its internal systems such as building and bus/transportation systems to determine what, if any, remediation tasks need to be excuted.

**Northridge Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)**

To the best of management's knowledge and belief, as of January 19, 2000, the School District experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

NOTE 25 - SUBSEQUENT EVENT

On November 16, 1999, the Board of Education adopted a resolution that the School District is projecting a deficit for fiscal year 2000. The Board is requesting the Department of Education to advance funds to the School District and the Auditor of State to certify a potential deficit for fiscal year 2000. As of the date of these financial statements, the Auditor of State is currently determining the potential of a deficit for fiscal year 2000.

NOTE 26 - PRIOR PERIOD ADJUSTMENTS

Income Tax Receivable was not recorded in the general fund for fiscal year ending June 30, 1998. This resulted in general fund assets and undesignated fund balance being understated by \$177,612.

	General
Fund Balance at June 30, 1998	(\$708,304)
Income Taxes	177,612
Fund Balance Restated at June 30, 1998	(\$530,692)

The School District's classroom facility loan was recorded incorrectly at June 30, 1998. The liability in the general long-term obligation account group was understated.

	General
Note Payable at June 30, 1998	\$2,947,891
Adjustment to Note Balance	2,953,821
Note Payable Restated at June 30, 1998	\$5,901,712



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of Education
Northridge Local School District
Johnstown, Ohio**

We have audited the general purpose financial statements of Northridge Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated January 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Northridge Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-7606-001 through 1999-7606-003. We also noted certain immaterial instances of noncompliance that we have reported to management of Northridge Local School District in a separate letter dated January 19, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northridge Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Northridge Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-7606-004 through 1999-7606-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matter involving the internal control over financial reporting that we have reported to management of Northridge Local School District in a separate letter dated January 19, 2000.

This report is intended for the information and use of the board of education, management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.

Jones, Cochenour & Co.

January 19, 2000

NORTHRIDGE LOCAL SCHOOL DISTRICT
JUNE 30, 1999

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

FINDING NUMBER	1999-7606-001
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Ohio Rev. Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection of the credit of an appropriate fund free from any previous encumbrance.

We noted during our testing of transactions that purchase orders were issued after the obligation for goods and/or services was incurred. This indicates that funds were not properly encumbered and certified by the fiscal officer. It is recommended that purchase orders be issued and certified by the fiscal officer prior to the obligation of goods and/or services.

As a exception to the basic requirement, Ohio Rev. Code Section 5705.41(D) allows the fiscal officer, provided that the expenditure is otherwise lawful, to issue so called "Then and Now" certificates. "Then and Now" certificates basically certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance. Expenditures exceeding \$1,000 must be approved by the Board of Education within 30 days of receipt of such certificate and must be approved by resolution.

FINDING NUMBER	1999-7606-002
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Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The District is posting changes to its appropriations at various periods throughout the year, but is not completing the necessary amendments to the county auditor when these changes occur. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriation from each fund does not exceed the amended official certificate. Since the District is not certifying all of its changes in appropriations with the county auditor (at the same time they internally post appropriation amendments), appropriations shown in the monthly financial report may not agree to the latest appropriation measure certified by the county auditor. We recommend that if the District amends its appropriations, that the same provisions of the law be used as in making the original appropriation. This would also ensure that the appropriations reported in the monthly financial report agrees back to the latest certified appropriations by the county auditor.

FINDING NUMBER	1999-7606-003
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Ohio Rev. Code Section 133.10 states that subdivision can issue notes in anticipation of the collection of current property taxes and/or any other current revenues. The notes cannot exceed one-half (½) of the amount of the projected revenues as estimated by the fiscal officer. The notes must mature no later than six (6) months after issue, and in no case may they mature after the end of the fiscal year. The District issued notes in anticipation of income taxes on March 31, 1998 with a maturity date of December 1, 1999 which exceeds the 6 month period as well as maturing in the next fiscal school year. Both of these factors are in violation of the code section.

NORTHRIDGE LOCAL SCHOOL DISTRICT
JUNE 30, 1999

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN
ACCORDANCE WITH GAGAS - CONTINUED

FINDING NUMBER	1999-7606-004
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REPORTABLE CONDITION - VENDING MACHINE INVENTORY

We noted during our audit that inventory records are maintained by the Food Service Supervisor over pop and snack machines; however, the records are not utilized as such to reconcile between what has been placed into the machines, to collections deposited with the Treasurer, and what is on hand.

A perpetual inventory system should be maintained by the Food Service Supervisor to allow the District to determine what their collections should be and to discover any shortages as well as determine if all pop and snacks are being accounted for. This will allow the Food Service Director to have better control of all pop and snacks and provide controls to potentially reduce the misappropriation of District assets.

We recommend that the District utilize a perpetual inventory system over pop and snack machines and documentation of a reconciliation between what has been placed into the machines, what is sold, and what is on hand.

We also noted that refunds of money and/or vending products are taken directly out of cash proceeds and vending machines. The District should create a form to document the type of refund being made and who is providing the refund. The form should be signed off on by both parties and would provide documentation to account for missing inventory items as well as documentation for variances between what should be deposited with the Treasurer and what has been deposited.

We recommend that all refunds of money and/or vending products are adequately documented by the District.

FINDING NUMBER	1999-7606-005
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REPORTABLE CONDITION - CASH DISBURSEMENT CYCLE

During our audit testing, we noted several areas in the District's purchasing cycle that was not being completed, therefore reducing controls over the purchasing process. We noted instances where requisitions were not completed for the purchase of goods or services. Purchase requisitions stating quantities and prices of goods and/or services need to be turned in by building principals and appropriate supervisors for all purchases. We noted that dates on invoices were before the purchase order date, therefore indicating funds were not properly encumbered and certified by the fiscal officer. We also noted that there was no visible indications prior to invoice payment that merchandise was received. The purchase order should be signed indicating that all items have been received and should be maintained and attached to the voucher package. The purchase ordering system is a control device used to identify orders and give the assigned individuals the authority and responsibility of purchasing. This will reduce the risk of unauthorized transactions occurring and the possibility of errors as to price, quantity, and vendor.

We recommend that the District follow its purchasing cycle.

NORTHRIDGE LOCAL SCHOOL DISTRICT
JUNE 30, 1999

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN
ACCORDANCE WITH GAGAS - CONTINUED

FINDING NUMBER	1999-7606-006
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REPORTABLE CONDITION - APPROPRIATION CONTROLS

We noted during our audit that the appropriations posted to the District's USAS accounting system did not agree to appropriations approved by the Board of Education and the County Budget Commission. Adjustments are being posted monthly to the USAS accounting system, but an amended appropriation is not being completed to obtain from the County Budget Commission a certification that estimated resources exceed appropriations. We also noted that the original appropriations and amendments for certain fund line items did not tie throughout the year.

We recommend that the District implement control procedures to reconcile certified appropriations to appropriations in the District's USAS accounting system, as well as certifying amended appropriations to the County Budget Commission.

NORTHRIDGE LOCAL SCHOOL DISTRICT
JUNE 30, 1999

STATUS OF PRIOR AUDIT FINDINGS AND CITATIONS

FINDINGS AND CITATIONS	STATUS	EXPLANATION IF NOT FULLY IMPLEMENTED
<u>CITATION</u>		
1. Ohio Rev. Code Section 5705.41(D) No expenditure is to be made without appropriation.	Not Corrected	No Response

NORTHRIDGE LOCAL SCHOOL DISTRICT

CONCLUSION STATEMENT

A post-audit conference with the Northridge Local School District officials was conducted on February 8, 2000 at which time they were notified they had five business days to respond to the preliminary report. All responses were reviewed.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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NORTHRIDGE LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: MARCH 9, 2000