



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Northridge Local School District
Licking County

Fiscal Emergency Termination

Local Government Services Division

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

FISCAL EMERGENCY TERMINATION

Table of Contents

	PAGE
Certification	1
Report on Termination of the Northridge Local School District Financial Planning and Supervision Commission	
The Declaration of Fiscal Emergency	3
The Financial Accounting and Reporting Systems	4
The Fiscal Emergency Conditions	6
The Financial Recovery Plan	7
The Five Year Forecast	7
Conclusion	8
Disclaimer	8
Appendix A	
Northridge Local School District Financial Forecast For the Fiscal Years Ending June 30, 2002 through June 30, 2006	

This Page left Blank, Intentionally



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

CERTIFICATION

Pursuant to a request to the Auditor of State by the Northridge Local School District Financial Planning and Supervision Commission, the Auditor of State has determined that the Northridge Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, and the Northridge Local School District has met the requirements of Section 3316.16, Revised Code, for termination of the Northridge Local School District Financial Planning and Supervision Commission. Therefore, the existence of the Northridge Local School District Financial Planning and Supervision Commission and its role in the operation of the Northridge Local School District is terminated as of February 19, 2002.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 3316.16(E), Revised Code, requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to the Northridge Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, J. Terry Evans, Licking County Auditor and Susan Tave Zelman, State Superintendent of Public Instruction.

JIM PETRO
Auditor of State

February 19, 2002

This Page left Blank, Intentionally

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Report on Termination of the Northridge Local School District
Financial Planning and Supervision Commission**

At the request of the Financial Planning and Supervision Commission (the Commission) of the Northridge Local School District (the School District), Licking County, the Auditor of State has performed an analysis to determine whether this Commission and its functions should be terminated.

The Declaration of Fiscal Emergency

The Auditor of State conducted an analysis of the Northridge Local School District, dated January 5, 2000, to determine whether the School District met the conditions for fiscal watch. The results of the analysis were as follows:

1. The Auditor of State certified an operating deficit for the general fund in the amount of \$628,000, which exceeded eight percent of the general fund revenues of the prior fiscal year;
2. The Northridge Local School District's unencumbered deficit cash balance for the preceding fiscal year was \$25,000, which was less than eight percent of the preceding fiscal year expenditures; and,
3. The School District had not passed a levy that would eliminate the first two conditions.

Section 3316.02(B)(2) of the Ohio Revised Code requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district board of education fails, pursuant to Section 3316.04 of the Ohio Revised Code, to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch.

On January 19, 2000, the Northridge Local School District adopted a resolution stating that they would not be able to submit a financial plan, pursuant to Section 3316.04, Revised Code, acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of fiscal watch.

On March 14, 2000, the Auditor of State declared the Northridge Local School District in Fiscal Emergency based on the Northridge Local Board of Education not being able to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch made pursuant to Section 3316.03 of the Ohio Revised Code.

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse."

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Report on Termination of the Northridge Local School District
Financial Planning and Supervision Commission**

The results of the analysis performed by the Auditor of State in determining if the Commission will continue to exist is as follows:

The Financial Accounting and Reporting Systems

We reviewed the June 14, 2000, Financial Accounting Report, the fiscal year 1999 and 2000 audit reports and management letters prepared by other accountants, and the Performance Audit issued by the Office of the Auditor of State on October 12, 2000. We also observed and interviewed various School District personnel regarding current practices and procedures. A summary of the School District's progress in correcting the issues addressed in the Financial Accounting Report, audit reports, and management letters are as follows:

Financial Accounting Report

Governance Overview

- The School District has established an audit committee comprised of the Superintendent, Treasurer and one member from the Board of Education. The audit committee is intended to act as an informed, vigilant, and effective overseer of the financial reporting process.

Revenue Activity

- The Treasurer utilizes pre-numbered receipts to insure that proper controls are in place and all receipts have been processed properly. The School District has also implemented procedures to insure that all monies collected are deposited within a twenty-four hour time frame.
- The School District has adopted, by resolution, a policy regarding NSF checks which will result in the proper accounting treatment and follow-up in a consistent manner. In addition, the School District has implemented policies regarding the handling of outstanding checks in a consistent manner.
- The Treasurer has initiated the procedure of posting foundation revenue in the proper amounts and recording the related deductions to the proper expenditure category. The current method of recording the foundation revenue in the gross amount and recording the related deductions to the proper expenditure category will avoid understating the related receipt and expenditure categories.
- The School District is enforcing its policies on the submission of sales forms and profit and loss statements by the student activity advisors.

Purchasing Process

- The School District has adopted a policy, by resolution, for the use of "Then and Now" certificates. A "Then and Now" certificate is completed for invoices that exceed the original purchase order by three percent or more. In addition, the Treasurer has implemented policies to insure that the proper purchasing cycle is followed.
- The Treasurer has implemented a policy that avoids the authorization and encumbrance of purchase orders if the appropriations are not sufficient to cover the amount of the purchase order.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Report on Termination of the Northridge Local School District
Financial Planning and Supervision Commission**

Debt Activity

- The School District correctly accounts for debt through the debt service fund.

Fixed Assets and Supplies Inventory

- The Treasurer is in the process of developing policies for fixed assets and the inventory of materials and supplies.

Cash Management and Investing

- The Treasurer completes monthly bank reconciliations with the appropriate detail for all reconciling items for the general account. The Treasurer is in the process of implementing policies that will address his review of the payroll account, and the cross-training of the Assistant Treasurer in the preparation of the general account reconciliation. Both reconciliations will be presented to the Board of Education at each monthly meeting.

School District's Financial Reporting

- The Board of Education has adopted a resolution that allows the Treasurer to develop and implement a comprehensive financial and accounting policy and procedure manual covering all functions of the Treasurer's office and how other departments account for monies, supplies, and property.

Performance Audit Recommendations

The performance audit contained many recommendations that were reviewed by School District management and the Northridge Local School District's Financial Planning and Supervision Commission. The following recommendations were implemented by the School District:

- The Treasurer prepares a financial forecast, including assumptions, which is used as a planning tool to develop and enhance the education programs at the School District.
- The School District has reduced their teaching staff and implemented a three- tiered bus schedule.
- The School District's five-year forecast includes capital improvements and new equipment, and the District is developing a plan to address the long term capital expenditure needs of the School District.
- The School District is currently accounting for all food service related costs, including salaries and fringe benefits, within the food service enterprise fund.
- The School District's food service enterprise fund is currently operating without any assistance from the general fund, due primarily to the installation of vending machines.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Report on Termination of the Northridge Local School District
Financial Planning and Supervision Commission**

The Fiscal Emergency Conditions

The Auditor of State is to issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first such plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the district is not materially complying with the provisions of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined the declaration of a state of fiscal emergency necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. Once declared in fiscal emergency, the School District was not required to submit a plan to the State Superintendent of Public Instruction.
3. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
4. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
5. The School District no longer has an operating deficit in the general fund.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Report on Termination of the Northridge Local School District
Financial Planning and Supervision Commission**

The Financial Recovery Plan

We obtained a copy of the latest financial recovery plan of the School District, dated July 26, 2000, and interviewed the Treasurer of the School District and received information from the Chairperson of the Financial Planning and Supervision Commission. The key provisions of the financial plan are as follows:

1. Personnel reductions.
2. Reduction of non-personnel operating expenditures.
3. Efficient operation of busing.
4. Obtain an advance in the amount of \$628,000 from the State Solvency Assistance Fund for fiscal year 2000.

Actions taken to achieve the provisions of the plan include the following:

1. Fiscal year 2001 personnel savings:

Reduction in Force:

Counselor	\$46,000
Language Arts Teacher	29,000
Consumer Science Teacher	46,000
Elementary Teacher	33,000
Title Teacher	49,000
Custodian	23,000
Aide	<u>9,000</u>
Total	<u><u>\$235,000</u></u>

2. Fiscal year 2001 non-personnel savings:

In-service activities charged to other funds	<u>\$39,000</u>
--	-----------------

3. The School District reduced the number of bus routes to improve efficiency of the busing operations.
4. The School District received a State Solvency Assistance Fund Advance in the amount of \$628,000 which will be fully repaid during fiscal year 2002.

The Five Year Forecast

The Auditor of State has examined the School District's financial forecast for the fiscal years ending June 30, 2002 through 2006. Based on the financial forecast, the fiscal emergency conditions have been eliminated and no new fiscal emergency conditions are expected to occur during the forecast period. The School District's five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the forecast period and the Auditor of State, in a report dated January 29, 2002, rendered a "nonadverse" opinion on the financial forecast.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Report on Termination of the Northridge Local School District
Financial Planning and Supervision Commission**

Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented policies or is in the process of implementing policies for a sound accounting and reporting system;
2. The School District has corrected or eliminated all the fiscal emergency conditions and it appears that, based on the five year financial forecast, the School District will remain out of fiscal emergency;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Northridge Local School District and its functions may be terminated.

It is understood that this report’s determination is for the use of the Northridge Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, J. Terry Evans, Licking County Auditor, Susan Tave Zelman, State Superintendent of Public Instruction, and others as designated by the Auditor of State, and is not to be used for any other purpose.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

APPENDIX A

Northridge Local School District
Licking County

Financial Forecast

For the Fiscal Years Ending June 30, 2002 Through 2006

**Northridge Local School District
Licking County**

Table of Contents

	Page
Accountant's Report	A-3
Schedule of Revenues, Expenditures and Changes in Fund Balance for Fiscal Years Ended June 30, 1999, 2000, and 2001 Actual; Fiscal Years Ending June 30, 2002 through 2006 Forecasted	A-6
Summary of Significant Accounting Policies and Forecast Assumptions	A-8

This Page Left Blank, Intentionally



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Northridge Local School District
6097 Johnstown - Utica Road
Johnstown, Ohio 43031

Independent Accountant's Report

We have examined the accompanying forecasted schedule of revenues, expenditures, and changes in fund balance of the general fund of the Northridge Local School District for the fiscal years ending June 30, 2002 through 2006. The Northridge Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The financial statements for the years ended June 30, 1999, 2000, and 2001 were audited by other accountants and they rendered an unqualified opinion on those financial statements in reports dated January 19, 2000, December 13, 2000 and November 30, 2001, respectively. No auditing procedures have been performed since.

JIM PETRO
Auditor of State

January 29, 2002

This Page left Blank, Intentionally

This Page left Blank, Intentionally

Northridge Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
For The Fiscal Years Ended June 30, 1999, 2000 and 2001 Actual;
Fiscal Years Ending June 30, 2002 through June 30, 2006 Forecasted
General Fund

	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual
Revenues			
General Property Tax (Real Estate)	\$2,333,000	\$2,562,000	\$2,800,000
Tangible Personal Property Tax	47,000	49,000	52,000
Income Tax	825,000	1,398,000	1,418,000
Unrestricted Grants-in-Aid	3,221,000	3,280,000	3,492,000
Restricted Grants-in-Aid	55,000	67,000	62,000
Property Tax Allocation	282,000	304,000	332,000
All Other Revenues	95,000	71,000	95,000
Total Revenues	<u>6,858,000</u>	<u>7,731,000</u>	<u>8,251,000</u>
Other Financing Sources			
Solvency Assistance Advance	0	628,000	0
Advances In	0	108,000	14,000
Other Financing Sources	59,000	5,000	21,000
Total Other Financing Sources	<u>59,000</u>	<u>741,000</u>	<u>35,000</u>
Total Revenues and Other Financing Sources	<u>6,917,000</u>	<u>8,472,000</u>	<u>8,286,000</u>
Expenditures			
Personal Services	4,035,000	4,365,000	4,279,000
Employees' Retirement/Insurance Benefits	1,041,000	1,303,000	1,223,000
Purchased Services	1,349,000	1,592,000	1,455,000
Supplies and Materials	276,000	308,000	228,000
Capital Outlay	46,000	75,000	4,000
Debt Service:			
Principal - Income Tax Note	0	225,000	225,000
Principal - Solvency Assistance Advance	0	0	314,000
Principal - HB 264 Energy Conservation Note	57,000	55,000	60,000
Interest and Fiscal Charges	63,000	51,000	38,000
Other Objects	193,000	285,000	312,000
Total Expenditures	<u>7,060,000</u>	<u>8,259,000</u>	<u>8,138,000</u>
Other Financing Uses			
Operating Transfers Out	20,000	1,000	0
Advances Out	0	108,000	14,000
Total Other Financing Uses	<u>20,000</u>	<u>109,000</u>	<u>14,000</u>
Total Expenditures and Other Financing Uses	<u>7,080,000</u>	<u>8,368,000</u>	<u>8,152,000</u>
Excess of Revenues and Other Financing Sources under Expenditures and Other Financing Uses	(163,000)	104,000	134,000
Cash Balance July 1	<u>265,000</u>	<u>102,000</u>	<u>206,000</u>
Cash Balance June 30	<u>102,000</u>	<u>206,000</u>	<u>340,000</u>
Less Encumbrances and Reserves:			
Estimated Encumbrances June 30	65,000	88,000	96,000
Reservations of Fund Balance			
Textbooks and Instructional Materials	0	0	12,000
Capital Improvements Reserve	0	2,000	12,000
Budget Reserve	58,000	58,000	58,000
Total Encumbrances and Reservations of Fund Balance	<u>123,000</u>	<u>148,000</u>	<u>178,000</u>
Renewal Levy			
General Income Tax (Levy Renewal)	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(\$21,000)</u>	<u>\$58,000</u>	<u>\$162,000</u>

See accompanying summary of significant forecast assumptions, accounting policies, and accountant's report.

Fiscal Year 2002 Forecasted	Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted	Fiscal Year 2005 Forecasted	Fiscal Year 2006 Forecasted
\$2,664,000	\$2,756,000	\$2,902,000	\$3,055,000	\$3,148,000
78,000	80,000	83,000	85,000	88,000
1,466,000	1,487,000	1,508,000	765,000	0
3,944,000	4,079,000	4,192,000	4,307,000	4,427,000
130,000	203,000	273,000	344,000	414,000
348,000	364,000	382,000	402,000	414,000
120,000	132,000	133,000	135,000	137,000
<u>8,750,000</u>	<u>9,101,000</u>	<u>9,473,000</u>	<u>9,093,000</u>	<u>8,628,000</u>
0	0	0	0	0
15,000	20,000	20,000	20,000	20,000
20,000	20,000	20,000	20,000	20,000
<u>35,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
<u>8,785,000</u>	<u>9,141,000</u>	<u>9,513,000</u>	<u>9,133,000</u>	<u>8,668,000</u>
4,354,000	4,575,000	4,797,000	5,031,000	5,325,000
1,126,000	1,382,000	1,535,000	1,564,000	1,643,000
1,614,000	1,709,000	1,804,000	1,905,000	2,016,000
468,000	494,000	520,000	557,000	575,000
100,000	100,000	100,000	100,000	100,000
0	0	0	0	0
314,000	0	0	0	0
65,000	70,000	75,000	85,000	85,000
30,000	26,000	22,000	19,000	13,000
382,000	388,000	396,000	404,000	413,000
<u>8,453,000</u>	<u>8,744,000</u>	<u>9,249,000</u>	<u>9,665,000</u>	<u>10,170,000</u>
0	0	0	0	0
15,000	20,000	20,000	20,000	20,000
<u>15,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
<u>8,468,000</u>	<u>8,764,000</u>	<u>9,269,000</u>	<u>9,685,000</u>	<u>10,190,000</u>
317,000	377,000	244,000	(552,000)	(1,522,000)
<u>340,000</u>	<u>657,000</u>	<u>1,034,000</u>	<u>1,278,000</u>	<u>1,491,000</u>
<u>657,000</u>	<u>1,034,000</u>	<u>1,278,000</u>	<u>726,000</u>	<u>(31,000)</u>
44,000	41,000	43,000	45,000	47,000
0	0	0	0	0
0	0	0	0	0
58,000	58,000	58,000	58,000	58,000
<u>102,000</u>	<u>99,000</u>	<u>101,000</u>	<u>103,000</u>	<u>105,000</u>
0	0	0	765,000	1,551,000
<u>\$555,000</u>	<u>\$935,000</u>	<u>\$1,177,000</u>	<u>\$1,388,000</u>	<u>\$1,415,000</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

Note 1 - Nature and Limitations of the Forecast

This financial forecast presents, to the best of the Northridge Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 29, 2002, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the textbook subsidy fund and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1999, 2000 and 2001. These differences are as follows:

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
	<u> </u>	<u> </u>	<u> </u>
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$6,771,000	\$8,133,000	\$7,652,000
Textbook Subsidy	19,000	0	0
Debt Service Activity Related to General Fund Supported Debt	<u>127,000</u>	<u>339,000</u>	<u>634,000</u>
Total Revenues and Other Sources per Forecast	<u>6,917,000</u>	<u>8,472,000</u>	<u>8,286,000</u>
 <u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	6,940,000	8,036,000	7,515,000
Textbook Subsidy	21,000	1,000	0
Debt Service Activity Related to General Fund Supported Debt	<u>119,000</u>	<u>331,000</u>	<u>637,000</u>
Total Expenditures and Other Uses per Forecast	<u>7,080,000</u>	<u>8,368,000</u>	<u>8,152,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(163,000)	104,000	134,000
Cash Fund Balance at Beginning of Fiscal Year	<u>265,000</u>	<u>102,000</u>	<u>206,000</u>

Continued

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
Cash Fund Balance at End of Fiscal Year	\$102,000	\$206,000	\$340,000
Encumbrances at Fiscal Year End	(65,000)	(88,000)	(96,000)
Unencumbered Fund Balance at Fiscal Year End	\$37,000	\$118,000	\$244,000

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

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

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

Proprietary Funds

Enterprise Funds - Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has 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 Funds

Agency Funds - Agency funds 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.

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. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget - A tax budget of estimated cash receipts and disbursements is submitted to the Licking County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

Note 4 - General Operating Assumptions

The Northridge Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, and tangible personal property taxes. Advances may be requested from the Licking, Delaware, and Knox County Auditors as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year.

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Last year of Collection</u>	<u>Full Tax Rate (Mills)</u>
Inside Millage Limitation	n/a	n/a	\$4.10
Continuing Operating	1976	n/a	18.60
Continuing Operating	1978	n/a	5.30
Continuing Operating	1989	n/a	4.60
Total Tax Rate			<u>\$32.60</u>

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedules represents gross property tax revenue. The forecasted figures for fiscal year 2002 are based on the most recent information provided by the Licking, Delaware and Knox County Auditors. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account. Based upon this information, the School District anticipates receiving \$2,664,000, in real estate tax revenue, a decrease of \$136,000 from the prior fiscal year. The decrease in real estate taxes is attributed to the School District receiving more tax advances on their August settlement in fiscal year 2001.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

The amounts forecasted for fiscal years 2003 through 2006 are based on information provided by the Licking, Delaware and Knox County Auditors. Fiscal years 2003, 2004 and 2005 receipts are based on fiscal year 2002, with increases of three percent plus additional two percent increases due to a triennial update. The increase for fiscal year 2006 is based upon fiscal year 2005 with a historical three percent increase.

The School District has assumed in the forecast that they will not be materially affected by Senate Bill 3, as amended by Senate Bill 287, with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). The Ohio Department of Taxation estimated for the forecasted period a decline of approximately \$50,000 in property tax revenue each year. The School District will be reimbursed the full amount of the loss which is recorded under unrestricted grants-in-aid revenue.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business. As with real estate taxes, tangible personal property tax, the personal property tax exemption reimbursement amount, and manufactured home tax revenues for this forecast are based upon the most recent information provided by the Licking, Delaware and Knox County Auditors which includes full year actual tax settlements and the Licking County June personal property tax settlement that is historically not received until July.

The School District expects to receive \$78,000 in tangible personal property tax, including the tangible personal property tax exemption and manufactured home tax during fiscal year 2002, representing an increase of \$26,000 over the amount received in fiscal year 2001. The School District anticipates increases in fiscal years 2003 through 2006 due to historical trends and changes in the assessed value of personal property.

B. Income Tax

The School District receives revenue from a one percent income tax levy. The levy was originally approved in November 1997 for a three-year period beginning January 1, 1998 and ending December 31, 2000. The levy was renewed in March 2000 for a five-year period beginning January 1, 2001 and ending December 31, 2005.

The estimated income tax revenue for 2002 is based on estimates from the Ohio Department of Taxation. For 2003 through 2006, income tax revenues are anticipated to increase approximately one percent per year. The increase is based on past settlements and information from the Ohio Department of Taxation.

C. Unrestricted Grants-in-Aid

State foundation payments, established by Chapter 3317 of the Ohio Revised Code, are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, vocational education, and preschool units.

In 2002, State law set the base cost per pupil at \$4,814 and increased the rate each year thereafter, to \$4,949 for fiscal year 2003, \$5,088 for fiscal year 2004, \$5,230 for fiscal year 2005, and \$5,376 for fiscal year 2006.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

The anticipated state foundation revenue for fiscal year 2002 of \$3,919,000 is based on current estimates provided by the Ohio Department of Education. Forecasted amounts for fiscal years 2003 through 2006 are also based upon estimates provided by the Ohio Department of Education. Foundation amounts reflect approximately a 2.8 percent increase each fiscal year based upon increases in per pupil funding, increases in ADM, and increases in property values.

In addition to state foundation revenue, the School District is anticipating \$25,000 in public utility reimbursements in fiscal year 2002, which are based on tax valuations provided by the Ohio Department of Taxation. The School District will receive half of their reimbursement in fiscal year 2002 and the full reimbursement of \$50,000 each year in the remaining forecasted period.

D. Restricted Grants-in-Aid

Restricted grants-in-aid for fiscal year 2002 consists of bus purchase allowance revenues and parity aid in the amounts of \$60,000 and \$70,000, respectively. The School District anticipates bus purchase revenues to remain constant through fiscal year 2006.

The School District will receive 20 percent of their full amount of parity aid in fiscal year 2002. The State law increases the parity aid distribution 20 percent each year with full distribution of 100 percent in fiscal year 2006.

E. Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

Property tax allocation revenue, based on information from the Licking, Delaware and Knox County Auditors for fiscal year 2002, is anticipated to increase by \$16,000 over the prior fiscal year. The increase is attributed to the triennial update of real property values mentioned previously. The property tax allocation is forecasted to increase slightly in fiscal years 2003 through 2006 in direct proportion to the real property tax revenues.

F. All Other Revenues

All other revenues include tuition, , classroom materials and fees, earnings on investments, miscellaneous receipts from local sources, vocational mileage reimbursements, receipts from the sale of fixed assets, and refunds of prior year expenditures. These revenues are forecasted at \$120,000 for fiscal year 2002, an increase of \$25,000. The increase is due to an increase in classroom fees implemented by the School District in fiscal year 2002. In fiscal year 2003, a ten percent increase in other revenues is anticipated due to the historical increase in interest earnings on income taxes. All other revenues for fiscal years 2004 through 2006 are based upon fiscal year 2003 and are projected to remain constant.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

G. Operating Advances In

Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive \$15,000 in fiscal year 2002 from the Title I fund and \$20,000 in each year of the forecast period from various special revenue grant funds.

H. All Other Financing Sources

All other financing sources includes refunds of prior year expenses and is forecasted based on historical trends.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. Personal Services

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, overtime, severance pay, board members' compensation, and student workers. All employees receive their compensation on a bi-weekly basis. The certified, classified, and administrative staff levels are expected to remain constant during the forecast period.

Certified and classified staff salaries are based on contracts with the Northridge Board of Education and the Northridge Education Association. The contracts cover the period July 1, 1998 through June 30, 2001 and include a one year extension through June 30, 2002. Under the contracts, staff received no base increases in fiscal year 2001 and 2002. Certified staff will receive step increases of approximately two percent and educational incentives. Classified staff will also receive step increases of approximately two percent.

The School District offers severance pay to certified and classified employees at the time of retirement from the School District. Employees may elect to be paid in cash for one-fourth of the value of their accrued but unused sick leave credit. Payment is based upon the employee's per diem rate of pay at the time of separation and shall be made only once to any employee.

The personal services expenditures of \$4,354,000 for fiscal year 2002 is an increase of \$75,000 from fiscal year 2001. The increase is the result of two percent step increases.

For fiscal years 2003 through 2005 certified and classified salaries include a three percent base increase and two percent step increases. The School District anticipates a four percent base increase and a two percent step increase in fiscal year 2006.

B. Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, an early retirement incentive, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are withheld from the semi-monthly state foundation settlements based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Employee retirement is forecasted at \$650,000 for fiscal year 2002, a \$113,000 decrease from fiscal year 2001. This decrease is due to the differences between estimated and actual salaries used to determine retirement payments during the year, the retirement of certified staff, and fringe benefit costs being charged to the food service fund rather than the general fund. For fiscal years 2003 through 2006, retirement costs are expected to increase in relation to the increases in salaries and wages.

Early retirement incentive costs are based upon the School District purchasing two years of service credit for those employees who elect to participate in the program in the first year of eligibility. Employees who are eligible must apply during the "open window" period of March 1, 2001 through June 30, 2002. Annually, a maximum of five percent of eligible employees will be approved. The Board has the option of paying the early retirement incentive in its entirety or in installments over a two year period. The Board historically pays an early retirement incentive for certified employees in installments over a two year period and a lump sum payment for classified employees.

Early retirement incentive is forecasted at \$44,000 for fiscal year 2002, a \$15,000 increase from fiscal year 2001. This increase is due to the School District purchasing two years of SERS service credit for the former Treasurer and two years of STRS service credit for a certified staff member. The School District elected to make payment on an extended basis, over two years, which will include interest. The first payment was made in fiscal year 2002, the remaining balance will be forecasted in the following year. For fiscal years 2003 through 2006, the School District anticipates increases in early retirement costs based upon the number of employees eligible to participate in the program. In fiscal year 2003, the School District anticipates six employees to participate in the program, ten employees in fiscal year 2004, six employees in fiscal year 2005 and four employees in fiscal year 2006.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, single versus family coverage, the monthly premiums, and anticipated increases during the forecast period. Premiums are fixed for a one year period beginning August 1 of each year. Health care premiums are paid in advance of the period covered.

Health care premium costs are anticipated to increase ten percent per year over the forecast period. Medicare benefits are forecasted based on related anticipated payroll costs over the forecast period. Workers' compensation premium costs are based on the School District's current rate and the anticipated salaries for each fiscal year.

The School District currently participates in the Ohio School Boards Association Workers' Compensation Group Rating Program. The School District pays a rate billed by the State Worker's Compensation system based on the group rate and the actual salaries for the premium period.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

C. Purchased Services

Purchased service expenditures include professional services, property services, travel and meeting expenses, communication, utilities, tuition and transportation costs. The School District is anticipating a \$159,000 increase in purchased services for fiscal year 2002. The increases are for transportation services, utility services, professional services for contract negotiations, and travel and mileage expenses for administration. Annual increases of approximately six percent in fiscal years 2003 through 2006 are projected based on anticipated increases in utility costs and the renewal of the transportation contract in fiscal year 2003 between the School District and LaidLaw transportation services.

D. Supplies and Materials

Expenditures for supplies and materials include general and office supplies, teaching aids, dispensary supplies, software materials, textbooks, and supplemental textbooks. Fiscal year 2002 expenditures for general supplies and textbooks are anticipated to increase \$240,000. Historically, supplies and materials expenditures have been kept at a minimum because of the financial condition of the School District. For the forecast period the School District anticipates an increase of six percent annually.

E. Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general governmental services is to report the expenditure of resources, not costs.

The School District anticipates expending approximately \$100,000 each year for capital maintenance and computer equipment. The School District will also utilize other capital grants for technology upgrades such as the SchoolNet capital projects fund. The School District is in the process of developing a long-term capital expenditure plan which may include resources other than from the general fund.

F. Debt Service

The School District has not issued any debt during fiscal year 2002 and does not anticipate the issuance of any debt during the remainder of the forecast period.

The following principal and interest payments will be made during the forecast period for energy conservation loans and a solvency assistance advance.

Year	H.B. 264 Energy Conservation	Solvency Assistance Advance	Total Principal	Interest
FY 2002	\$65,000	\$314,000	\$379,000	\$30,000
FY 2003	70,000	0	70,000	26,000
FY 2004	75,000	0	75,000	22,000
FY 2005	85,000	0	85,000	19,000
FY 2006	85,000	0	85,000	13,000

The energy conservation loans are paid from general fund revenues. The solvency assistance advance is paid from State foundation revenues.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

G. Other Objects

This account includes dues, fees, liability insurance, other miscellaneous goods and services not otherwise classified in another account, and refund of prior years' receipts. For fiscal year 2002, the School District anticipates spending \$382,000, an increase of \$70,000 over fiscal year 2001. The increase is due to an increase in county board fees based upon administrative costs.

Fiscal year 2003 through 2006 expenditures are based on fiscal year 2002 with annual increases of two percent based on an analysis of projected expenditures and the School District's anticipated cost increases.

H. Operating Transfers and Advances Out

The School District anticipates advances out of \$15,000. The estimated advances out are to various federal grant funds. Advances out will remain consistent for the remainder of the forecast period. No operating transfers are anticipated for the forecasted period.

Note 7 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for benefits, purchased services, supplies and materials, capital outlay and other objects expenditures for fiscal year ended June 30, 2001 were \$96,000 and are forecasted at \$44,000 for June 30, 2002. Forecasted encumbrances include the State Teachers' Retirement Advance for fiscal year 2001. For the forecasted period the State Teachers' Retirement Advance is excluded from encumbrances due to the School District no longer having to advance payments. Encumbrances are forecasted to remain constant during fiscal years 2003 through 2006 based upon fiscal year 2002.

Note 8 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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 the future years.

Effective July 1, 2001, Senate Bill 345 provides an alternate formula to calculate the set aside amount for the textbook and instructional materials and capital improvements and maintenance. The alternate formula requires three percent of the State base cost formula amount for the current fiscal year multiplied by the school district's student population for that fiscal year. A school district may, at its option, continue to use the current formula to calculate the set aside requirement each year. For presentation in this forecast, management has calculated the set aside requirements based on the alternate formula.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

A. Textbooks and Instructional Materials

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The set aside amount for fiscal year 2002 is \$190,000. Qualifying expenditures in the area of textbooks, instructional materials, and related purchased services in the amount of \$240,000 are anticipated. Qualifying expenditures are in excess of the required set aside amount, therefore, no reserve is required.

The School District anticipates that qualifying expenditures and the carry forward of excess amounts will completely offset the set aside requirement for remainder of the forecast period.

B. Capital Acquisition and Improvements

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The School District anticipates off-sets and qualifying expenditures in the area of capital outlay and other objects, as permitted, to completely offset the set aside requirement for the forecast period. Therefore, no reserve is anticipated during the forecast period.

C. Budget Reserve

The School District was required to establish a budget reserve and set aside one percent of certain revenues each year there was a growth of three percent or more in these revenues. Under Section 39 of House Bill 770 and 5705.29(I), Revised Code, school districts were required to credit any refund from the Bureau of Worker's Compensation to the budget reserve.

School districts in fiscal emergency were not required to annually set aside revenues in the budget reserve; however, the School District has recorded refunds in the amount of \$58,000 from the Bureau of Worker's Compensation to the budget reserve.

Effective April 10, 2001, Amended Senate Bill 345, the requirement for a school district to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set aside as of April 10, 2001, may at the discretion of the board be returned to the school district's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve set aside. The School District does not anticipate expending the existing balance in the budget reserve during the forecast period.

Note 9 - Levies

The School District does not plan to place any levies on the ballot during fiscal year 2002. In the past eleven years the School District has placed several levies on the ballot. In fiscal year 2005 the School District's one percent income tax levy will expire. The School District will make every effort to renew the levy. The type of levy, rate, term, and election results are as follows:

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006**

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1990	Bond Issue	5.9 Mills	23 Years	Failed
November 1991	Income Tax	0.75 Percent	Continuing	Failed
November 1992	Emergency Levy	7.7 Mills	2 Years	Passed
May 1994	Emergency Levy	7.7 Mills	3 Years	Passed
May 1995	Bond Issue	8.1 Mills	23 Years	Passed
November 1996	Income Tax	1.0 Percent	Continuing	Failed
November 1997	Income Tax	1.0 Percent	3 Years	Passed
November 1999	Income Tax Renewal	1.0 Percent	5 Years	Failed
March 2000	Income Tax Renewal	1.0 Percent	5 Years	Passed

Note 10 - Pending Litigation

The Board is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 11 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of January 29, 2002, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial statements.

This Page left Blank, Intentionally



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

NORTHRIDGE LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 19, 2002**