NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005

Auditor of State
Betty Montgomery

NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Northridge Local School District
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Montgomery County, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

February 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

The discussion and analysis of Northridge Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets decreased $1,933,017, which represents a 16.1 percent decrease from 2004.

- General revenues accounted for $14,706,768 in revenue or 74.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, interest, and contributions, and capital grants, interest, and contributions accounted for $5,126,491 or 25.8 percent of total revenues of $19,833,259.

- The School District had $21,766,276 in expenses; only $5,126,491 of these expenses was offset by program specific charges for services, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of $14,706,768 plus net assets at the beginning of the year of $12,023,838 provided for these programs.

- The General Fund had $15,155,872 in revenues and $17,877,016 in expenditures. The General Fund's balance decreased $2,721,035 over 2004. One of the reasons for the decrease was a decline in tangible personal property taxes for the School District, which has occurred over the past few years.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of net assets and the Statement of activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Building Fund.

Governmental Funds

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

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

Table 1
Net Assets
Governmental Activities

	2005	2004
Assets		
Current and Other Assets	$20,960,132	$28,408,416
Capital Assets	14,716,852	8,745,025
Total Assets	35,676,984	37,153,441
Liabilities		
Long-Term Liabilities	13,717,426	13,950,952
Other Liabilities	11,868,737	11,178,651
Total Liabilities	25,586,163	25,129,603
Net Assets		
Invested in Capital Assets, Net of Related Debt	2,587,929	1,722,386
Restricted	1,429,052	1,090,319
Unrestricted	6,073,840	9,211,133
Total Net Assets	$10,090,821	$12,023,838

Total assets of governmental activities decreased by $1,476,457 as net capital assets increased by $5,971,827. The decrease in cash and cash equivalents was due to expenditures exceeding revenues because of the decline in tangible personal property taxes, along with the completion of the building projects. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by $3,137,293, due to the decrease in tangible personal property taxes, along with a one time payback last year to the General Fund from the Banc One Lease and increases in expenditures for operating new facilities.

Table 2 shows the changes in net assets for the fiscal year 2005 and 2004.

Table 2
Changes in Net Assets

	2005	2004
Revenues		
Program Revenues:		
Charges for Services	$785,082	$646,928
Operating Grants and Contributions	3,951,975	4,011,911
Capital Grants and Contributions	389,434	85,792
Total Program Revenues	5,126,491	4,744,631
General Revenues:		
Property Taxes	8,705,506	9,831,165
Grants and Entitlements not Restricted to Specific Programs	5,647,790	5,490,057
Other	353,472	240,588
Total General Revenues	14,706,768	15,561,810
Total Revenues	19,833,259	20,306,441
Program Expenses		
Instruction:		
Regular	9,066,371	9,434,812
Special	2,831,848	2,681,590
Vocational	424,111	422,259
Support Services:		
Pupils	1,294,883	1,361,836
Instructional Staff	691,772	861,189
Board of Education	15,441	16,595
Administration	1,897,287	1,835,053
Fiscal	398,528	400,637
Business	$204,385	$174,067
Operation and Maintenance of Plant	1,934,347	1,756,747
Pupil Transportation	1,019,181	959,027
Central	57,602	51,843
Operation of Non-Instructional Services	847,722	940,735
Extracurricular Activities	721,263	540,277
Interest and Fiscal Charges	361,535	350,069
Total Expenses	21,766,276	21,786,736
Decrease in Net Assets	($1,933,017)	($1,480,295)
Net Assets Beginning of Year	12,023,838	13,504,133
Net Assets End of Year	10,090,821	12,023,838

Governmental Activities

The significant increase in capital grants was due to donated capital assets from the Ohio Department of Transportation of land and a building to be used for transportation.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 43.9 percent of revenues for governmental activities for the Northridge Local School District for fiscal year 2005.

The School District voters approved a $7,380,000 bond issue for a period of twenty-five years in November of 2002, for the purpose of new construction, improvements, renovations, and additions to school buildings and land, including new athletic and community use facilities and providing equipment, furnishings, and site improvements.

Instruction comprises 56.6 percent of School District expenses. Support services expenses make up 34.5 percent of the expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	$12,322,330	(9,694,150)	$12,538,661	(9,912,918)
Support Services:				
Pupils	1,294,883	(894,619)	1,361,836	(1,061,427)
Instructional Staff	691,772	(475,923)	861,189	(431,076)
Board of Education	15,441	(15,441)	16,595	(16,595)
Administration	1,897,287	(1,774,294)	1,835,053	(1,701,581)
Fiscal	398,528	(398,528)	400,637	(400,637)
Business	204,385	(204,385)	174,067	(174,067)
Operation and Maintenance of Plant	1,934,347	(1,803,830)	1,756,747	(1,656,825)
Pupil Transportation	1,019,181	(403,343)	959,027	(755,949)
Central	57,602	(36,195)	51,843	(43,963)
Operation of Non-Instructional Services	847,722	(25,948)	940,735	(78,111)
Extracurricular Activities	721,263	(551,594)	540,277	(458,887)
Interest and Fiscal Charges	361,535	(361,535)	350,069	(350,069)
Total Expenses	$21,766,276	($16,639,785)	$21,786,736	($17,042,105)

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $19,731,315 and expenditures of $27,828,516. The net change in fund balances for the year in the General Fund and the Building Fund were ($2,721,035) and ($5,275,152), respectively.

The net change in fund balance in the General Fund was caused by increases in expenditures, particularly operation and maintenance of plant, along with Energy Conservation Loan payments and capital lease payments. Interest and fiscal charges increased significantly in the General Fund, because this was the first year the School District began making interest and sinking fund payments required under the lease and escrow agreements for the Banc One Lease. The decline in tangible personal property taxes for the district is another factor in the decreasing fund balance. The Building Fund decreased due to the progression and completion of most of the building projects.

General Fund Budgeting Highlights

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

During the course of the fiscal year 2005, the School District amended its Annual Appropriations several times; the General Fund was amended only once in June and adjusted for the fiscal year in the amount of ($1,002,675). An adjustment was necessary because for original appropriations all estimated resources and available fund balances are appropriated. Final appropriations were adopted in June.

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

For the General Fund, the budget basis revenue increased $389,889 from the original budgeted estimates. The most significant changes occurred in property tax and intergovernmental revenue, because the final tangible personal property tax settlement in June was more than anticipated. The final foundation payment also included a payment for catastrophic special education costs that was not expected until the next fiscal year.

Capital Assets

At the end of the fiscal year 2005, the School District had $14,716,852 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004.

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

	2005	2004
Land	$1,373,436	$1,050,675
Construction in Progress	155,851	3,318,272
Land Improvements	200,107	269,808
Buildings and Improvements	11,853,564	2,818,898
Furniture and Equipment	935,976	1,027,673
Vehicles	197,918	259,699
Totals	$14,716,852	$8,745,025

Overall capital assets increased $5,971,827 from fiscal year 2004 to fiscal year 2005. Increases in capital assets were primarily in building and improvements for the completion of the stadium and other building projects. Additions also included land and building donated from the Ohio Department of Transportation. The majority of equipment purchased during fiscal year 2005 was for equipment to complete the stadium and community facilities project.

For more information on capital assets, refer to Note 9 of the basic financial statements.

Debt Administration

At June 30, 2005, the School District had $7,745,000 in bonds and loans outstanding, as well as $85,314 of accretion on capital appreciation bonds outstanding and a premium on bonds in the amount of $117,855. $310,000 represents the amount of bonds and loans due within one year. The School District also had capital leases payable at fiscal year-end of $4,500,599.

During fiscal year 2004, the School District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of $4,500,000 for building renovations. The School District makes annual interest payments to the lesser in the amount of $30,600 and annual sinking fund payments to the escrow agent in the amount of $229,555. On November 19, 2018, the $4,500,000 principal is due, along with another $30,600 in interest.

Table 5 summarizes the debt outstanding:

Table 5
Outstanding Debt, at Year End
Governmental Activities

	2005	2004
Energy Conservation Loan	$760,000	$855,000
School Improvement Bonds	6,985,000	7,185,000
Accretion on Capital Appreciation Bonds	85,314	45,447
Totals	$7,830,314	$8,085,447

At June 30, 2005, The School District's overall legal debt margin was $13,725,959, the energy conservation loan debt margin was $1,302,685, and the unvoted debt margin was $229,187. For more information on debt administration, refer to Note 15 of the basic financial statements.

Current Financial Issues and Concerns

The School District is proud of its community support of the public schools. The building facilities project as well as the QZAB projects in progress will help keep the School District facilities in excellent physical condition and allow the Board of Education and administration to provide a stable and safe environment for students to learn. The Board of Education recognizes the expectations of the community and has allocated the resources to meet these expectations.

The School District passed an 8.75 mill levy in May of 2005; this will help the School District bridge the gap between revenues and expenditures. The School District has also planned budget cuts for fiscal year 2006, fiscal year 2007, fiscal year 2008, and fiscal year 2009. House bill 66 created major changes in school funding, particularly for Northridge Local Schools. A primary source of revenue will be eliminated by 2010, and the state hold harmless clause with it. The School District will be addressing a long-term plan to account for this major shift in the tax base of the School District.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mary Hellyer, Treasurer, at Northridge Local School District, 2011 Timber Lane, Dayton, Ohio 45414, or email at mhellyer@northridge-montgomery.k12.oh.us.

Northridge Local School District

Statement of Net Assets

June 30, 2005

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$9,028,935
Cash and Cash Equivalents in Segregated Accounts	2,000
Accrued Interest Receivable	6,802
Intergovernmental Receivable	278,235
Accounts Receivable	80,179
Prepaid Items	32,369
Materials and Supplies Inventory	32,580
Property Taxes Receivable	11,152,801
Deferred Charges	116,676
Investments with Escrow Agent	229,555
Nondepreciable Capital Assets	1,529,287
Depreciable Capital Assets, Net	13,187,565
Total Assets	35,676,984
Liabilities:	
Accounts Payable	175,555
Contracts Payable	138,404
Accrued Wages and Benefits Payable	1,147,051
Matured Compensated Absences Payable	67,324
Accrued Interest Payable	42,618
Retainage Payable	17,447
Intergovernmental Payable	541,913
Deferred Revenue	9,738,425
Long-Term Liabilities:	
Due Within One Year	538,391
Due in More Than One Year	13,179,035
Total Liabilities	25,586,163
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,587,929
Restricted for:	
Debt Service	16,101
Capital Outlay	759,002
Other Purposes	371,757
Set-Asides	52,637
Future Debt Service Payments	229,555
Unrestricted	6,073,840
Total Net Assets	$10,090,821

See Accompanying Notes to the Basic Financial Statements

Northridge Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Interest, and Contributions	Capital Grants, Interest, and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$9,066,371	$135,687	$1,160,600	$0	($7,770,084)
Special	2,831,848	5,199	1,294,238	0	(1,532,411)
Vocational	424,111	0	32,456	0	(391,655)
Support Services:					
Pupils	1,294,883	0	400,264	0	(894,619)
Instructional Staff	691,772	0	215,849	0	(475,923)
Board of Education	15,441	0	0	0	(15,441)
Administration	1,897,287	0	122,993	0	(1,774,294)
Fiscal	398,528	0	0	0	(398,528)
Business	204,385	0	0	0	(204,385)
Operation and Maintenance of Plant	1,934,347	0	86,061	44,456	(1,803,830)
Pupil Transportation	1,019,181	233,481	53,024	329,333	(403,343)
Central	57,602	0	5,762	15,645	(36,195)
Operation of Non-Instructional Services	847,722	241,869	579,905	0	(25,948)
Extracurricular Activities	721,263	168,846	823	0	(551,594)
Interest and Fiscal Charges	361,535	0	0	0	(361,535)
Total Governmental Activities	$21,766,276	$785,082	$3,951,975	$389,434	(16,639,785)

General Revenues:	
Property Taxes Levied for:	
General Purposes	8,263,272
Debt Service	442,234
Grants and Entitlements not Restricted to Specific Programs	5,647,790
Investment Earnings	211,300
Gifts and Donations	26,504
Miscellaneous	115,668
Total General Revenues	14,706,768
Change in Net Assets	(1,933,017)
Net Assets Beginning of Year	12,023,838
Net Assets End of Year	$10,090,821

See Accompanying Notes to the Basic Financial Statements

Northridge Local School District

Balance Sheet

Governmental Funds

June 30, 2005

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$7,468,606	$865,563	$629,796	$8,963,965
Cash and Cash Equivalents In Segregated Accounts	0	0	2,000	2,000
Receivables:				
Property Taxes	10,663,422	0	489,379	11,152,801
Accounts	79,809	0	370	80,179
Intergovernmental	71,300	0	206,935	278,235
Accrued Interest	6,802	0	0	6,802
Materials and Supplies Inventory	10,704	0	21,876	32,580
Prepaid Items	32,369	0	0	32,369
Restricted Assets:				
Investments with Escrow Agents	229,555	0	0	229,555
Equity in Pooled Cash and Cash Equivalents	64,970	0	0	64,970
Total Assets	$18,627,537	$865,563	$1,350,356	$20,843,456
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$154,344	$2,559	$18,652	$175,555
Contracts Payable	16,392	122,012	0	138,404
Retainage Payable	377	17,070	0	17,447
Accrued Wages and Benefits Payable	967,100	0	179,951	1,147,051
Intergovernmental Payable	479,507	0	62,406	541,913
Deferred Revenue	10,323,742	0	545,735	10,869,477
Matured Compensated Absences Payable	67,324	0	0	67,324
Total Liabilities	12,008,786	141,641	806,744	12,957,171
Fund Balances:				
Reserved for Encumbrances	536,315	517,261	132,037	1,185,613
Reserved for Property Taxes	344,827	0	27,247	372,074
Reserved for Bus Purchases	12,333	0	0	12,333
Reserved for Future Debt Service Payments	229,555	0	0	229,555
Reserved for Budget Stabilization	52,637	0	0	52,637
Unreserved, Undesignated, Reported in:				
General Fund	5,443,084	0	0	5,443,084
Special Revenue Funds	0	0	289,258	289,258
Debt Service Fund	0	0	89,828	89,828
Capital Projects Funds	0	206,661	5,242	211,903
Total Fund Balances	6,618,751	723,922	543,612	7,886,285
Total Liabilities and Fund Balances	$18,627,537	$865,563	$1,350,356	$20,843,456

See Accompanying Notes to the Basic Financial Statements

Northridge Local School District

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2005

Total Governmental Fund Balances		$7,886,285
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	1,373,436	
Construction in Progress	155,851	
Land Improvements	1,095,031	
Buildings and Improvements	18,654,548	
Furniture and Equipment	5,656,739	
Vehicles	843,547	
Accumulated Depreciation	(13,062,300)	
Total Capital Assets		14,716,852
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property Taxes	1,042,302	
Interest	5,147	
Intergovernmental Grants	83,603	
Total		1,131,052
Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.		116,676
Long term liabilities, including bonds and loans payable, accrued interest payable, and capital leases are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Accrued Interest Payable	(42,618)	
Energy Conservation Loan	(760,000)	
Premium on Bonds	(117,855)	
Accretion of Capital Appreciation Bonds	(85,314)	
General Obligation Bonds	(6,985,000)	
Capital Leases	(4,500,599)	
Compensated Absences	(1,268,658)	
Total Liabilities		(13,760,044)
Net Assets of Governmental Activities		$10,090,821

See Accompanying Notes to the Basic Financial Statements

Northridge Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2005

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$8,516,449	$0	$456,739	$8,973,188
Intergovernmental	5,928,129	0	3,636,669	9,564,798
Interest	209,434	46,817	3,131	259,382
Tuition and Fees	369,168	0	0	369,168
Extracurricular Activities	22,175	0	76,686	98,861
Charges for Services	0	0	248,309	248,309
Rent	68,744	0	0	68,744
Gifts and Donations	0	0	33,197	33,197
Miscellaneous	41,773	0	73,895	115,668
Total Revenues	15,155,872	46,817	4,528,626	19,731,315
Expenditures:				
Current:				
Instruction:				
Regular	7,508,423	0	1,192,907	8,701,330
Special	1,841,169	0	969,922	2,811,091
Vocational	419,056	0	0	419,056
Support Services:				
Pupils	881,200	0	401,783	1,282,983
Instructional Staff	415,283	0	250,509	665,792
Board of Education	15,573	0	0	15,573
Administration	1,717,298	0	159,072	1,876,370
Fiscal	395,234	0	6,233	401,467
Business	209,213	0	0	209,213
Operation and Maintenance of Plant	1,875,816	0	84,620	1,960,436
Pupil Transportation	925,263	0	51,070	976,333
Central	51,870	0	5,732	57,602
Operation of Non-Instructional Services	11,390	0	856,308	867,698
Extracurricular Activities	480,168	0	113,654	593,822
Capital Outlay	976,085	5,321,969	72,988	6,371,042
Debt Service:				
Principal Retirement	96,989	0	200,000	296,989
Interest and Fiscal Charges	56,986	0	264,733	321,719
Total Expenditures	17,877,016	5,321,969	4,629,531	27,828,516
Excess of Revenues Under Expenditures	(2,721,144)	(5,275,152)	(100,905)	(8,097,201)
Other Financing Sources:				
Proceeds from Sale of Capital Assets	109	0	0	109
Net Change in Fund Balances	(2,721,035)	(5,275,152)	(100,905)	(8,097,092)
Fund Balances at Beginning of Year	9,339,786	5,999,074	644,517	15,983,377
Fund Balances at End of Year	$6,618,751	$723,922	$543,612	$7,886,285

See Accompanying Notes to the Basic Financial Statements

Northridge Local School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds		($8,097,092)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	6,330,255	
Donated Capital Assets	317,000	
Current Year Depreciation Expense	(660,633)	
Excess of Capital Outlay over Depreciation Expense		5,986,622
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Proceeds from Sale of Capital Assets	(109)	
Loss on Disposal of Capital Assets	(14,686)	
		(14,795)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of:		
Energy Conservation Loan Payments	95,000	
General Obligation Bond Principal Payments	200,000	
Capital Lease Payments	1,989	
		296,989
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds, when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the statement of activities is the result of the following:		
Amortization of Premium on Bonds	5,124	
Accretion of Capital Appreciation Bonds	(39,867)	
Net Amortization of Bond Issuance Costs (Deferred Charges)	(5,073)	
		(39,816)
Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds.		
Property Taxes	(267,682)	
Interest	(3,626)	
Intergovernmental Grants	56,252	
		(215,056)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in Intergovernmental Payable	178,851	
Increase in Compensated Absences	(28,720)	
		150,131
Change in Net Assets of Governmental Activities		($1,933,017)

See Accompanying Notes to the Basic Financial Statements

Northridge Local School District

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund

	Original	Final	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property Taxes	$8,188,177	$8,409,781	$8,409,781	$0
Intergovernmental	5,670,202	5,823,660	5,823,660	0
Interest	189,819	194,956	194,956	0
Tuition and Fees	320,908	329,593	329,593	0
Extracurricular Activities	21,080	21,650	21,650	0
Rent	12,487	12,825	12,825	0
Miscellaneous	3,571	3,668	3,668	0
Total Revenues	14,406,244	14,796,133	14,796,133	0
Expenditures:				
Current:				
Instruction:				
Regular	7,765,315	6,933,875	6,863,197	70,678
Special	1,840,029	1,850,744	1,831,879	18,865
Vocational	452,651	421,620	417,322	4,298
Other	666,358	625,496	619,120	6,376
Support Services:				
Pupils	1,108,546	827,471	819,036	8,435
Instructional Staff	438,886	433,954	429,531	4,423
Board of Education	18,127	19,695	19,494	201
Administration	1,874,937	1,732,200	1,714,545	17,655
Fiscal	419,901	368,814	365,055	3,759
Business	185,201	188,373	186,453	1,920
Operation and Maintenance of Plant	2,086,141	1,888,502	1,869,251	19,251
Pupil Transportation	873,976	900,831	891,650	9,181
Central	57,357	51,379	50,855	524
Operation of Non-Instructional Services	2,466	11,507	11,390	117
Extracurricular Activities	504,314	479,370	474,484	4,886
Capital Outlay	1,039,930	1,344,337	1,330,635	13,702
Debt Service:				
Principal Retirement	69,094	324,555	95,000	229,555
Interest and Fiscal Charges	62,941	60,772	56,844	3,928
Total Expenditures	19,466,170	18,463,495	18,045,741	417,754
Excess of Revenues Under Expenditures	(5,059,926)	(3,667,362)	(3,249,608)	417,754
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	109	109	0
Refund of Prior Year Expenditures	0	161,793	161,793	0
Refund of Prior Year Receipts	(1,969)	(2,675)	(2,675)	0
Sinking Fund Payments	0	0	(229,555)	(229,555)
Advances - In	0	0	6,000	6,000
Advances - Out	0	0	(6,000)	(6,000)
Total Other Financing Sources (Uses)	(1,969)	159,227	(70,328)	(229,555)
Net Change in Fund Balance	(5,061,895)	(3,508,135)	(3,319,936)	188,199
Fund Balance at Beginning of Year	9,696,844	9,696,844	9,696,844	0
Prior Year Encumbrances Appropriated	465,651	465,651	465,651	0
Fund Balance at End of Year	$5,100,600	$6,654,360	$6,842,559	$188,199

See Accompanying Notes to the Basic Financial Statements

Northridge Local School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2005

Assets:	
Equity in Pooled Cash and Cash Equivalents	$36,979
Liabilities:	
Due to Students	$36,979

See Accompanying Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1931 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 7 square miles. It is located in Montgomery County.

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 are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Northridge Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in four jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:
- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Miami Valley Career Technology Center

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (continued)

Insurance Purchasing Pools:
Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan
Ohio School Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. The government-wide financial statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements:

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid 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. The School District divides its funds into two categories: governmental and fiduciary.

Governmental Funds:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Building Capital Projects Fund - The Building Fund accounts for financial resources to be used for various school improvements.

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

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

Deferred Revenue:

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds except cash held in a segregated bank account separate from the School District's central bank account for student managed activities are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Cash received for student managed activities are presented on the combined balance sheet as "Cash and Cash Equivalents In Segregated Accounts" since they are not required to be deposited into the School District treasury. Cash received through the lease-purchase agreement is held in a separate bank account by Bank One. The balance in this account is presented on the financial statements as "Investments with Escrow Agent."

During fiscal year 2005, the School District invested in Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Company Notes, U.S. Treasury Notes, Money Market Mutual Funds, and the State Treasury Assets Reserve of Ohio (STAROhio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to $209,434 which includes $78,636 assigned from other School District funds.

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 fiscal year in which services are consumed.

H. Restricted Assets

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

I. Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

Bond premiums and issuance costs incurred are deferred and amortized over the term of the bonds using the straight line method, since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each year for the compounded interest accrued during the year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Land Improvements	15-20 years
Buildings and Improvements	20-50 years
Furniture and Equipment	8-20 years
Vehicles	10-15 years

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Capital leases, bonds, and long-term loans are recognized as a liability in the governmental fund financial statements when due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

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

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

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

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

M. Net Assets

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

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

The government-wide statement of net assets reports $1,429,052 of restricted net assets, of which $52,637 is restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance Reserves

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

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 is money set aside as required by State statute to protect against cyclical changes in revenues and expenditures.

O. Interfund Transactions

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

P. Estimates

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

Q. Budgetary Process

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The Treasurer has been given the authority to allocate the Board's appropriations to the function and object level. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the School District has implemented *GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation"* and *GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers"*.

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the School District's financial statements for fiscal year 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2005.

GASB Technical Bulletin No. 2004-2, addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing, multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the School District's financial statements for fiscal year 2005.

NOTE 4 – ACCOUNTABILITY

At June 30, 2005, the Preschool Grant, Disadvantaged Pupil Impact Aid, and Title I Funds had deficit fund balances of $1,135, $63,976, and $20,725 respectively. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance

	General
GAAP Basis	($2,721,035)
Revenue Accruals	(198,896)
Expenditure Accruals	317,209
Encumbrances	(691,967)
Net Change in Fair Value of Investments	(25,247)
Budget Basis	($3,319,936)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

6 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above;

4. Bonds and other obligations of the State of Ohio or local governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;

7. The State Treasurer's investment pool (STAROhio);

8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, $3,392,748 of the School District's bank balance of $3,792,748 was exposed to custodial credit risk because it was uninsured was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

B. Investments

As of June 30, 2005, the School District had the following investments. Except for the investment held by escrow agent for the lease purchase agreement, all investments are in an internal investment pool.

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

	Fair Value	Maturity Less Than 1 Year
Federal National Mortgage Association Notes	$348,052	$348,052
Federal National Mortgage Association Discount Notes	464,148	464,148
Federal Home Loan Bank Bonds	771,017	771,017
Federal Home Loan Mortgage Company Notes	114,389	114,389
Federal Home Loan Mortgage Company Discount Notes	476,192	476,192
U.S. Treasury Notes	234,305	234,305
US Treasury Money Market Mutual Fund	763,082	763,082
First American Treasury Obligation Money Market Mutual Fund	951,716	951,716
First American Treasury Money Market Mutual Fund	9,876	9,876
STAR Ohio	1,677,086	1,677,086
	$5,809,863	$5,809,863

Interest Rate Risk – The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase.

Credit Risk – The Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Company Notes, U.S. Treasury Notes, US Treasury Money Market Mutual Fund, First American Treasury Obligation Money Market Mutual Fund, and First American Treasury Money Market Mutual Fund carry a rating of AAA by Moody's. The Federal National Mortgage Association Discount Notes and Federal Home Loan Mortgage Company Discount Notes earn the highest credit ratings for short-term investments from Moody's (P-1). STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

Concentration of Credit Risk – The School District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The School District's investments in The Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, and Federal Home Loan Mortgage Company Notes, represents 13.98 percent, 13.27 percent, and 10.16 percent, percent respectively, of the School District's total investments.

NOTE 7 - PROPERTY TAXES

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

NOTE 7 - PROPERTY TAXES (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. In governmental funds, the receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations.

The amount available as an advance at June 30, 2005, was $344,827 in the General Fund and $27,247 in the Bond Retirement Fund. The amount available as an advance at June 30, 2004, was $238,159 in the General Fund and $17,884 in the Bond Retirement Fund.

NOTE 7 - PROPERTY TAXES (continued)

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second – Half Collections		2005 First – Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$155,777,610	64.74%	$155,897,880	68.02%
Public Utility Personal	6,418,250	2.66	5,850,060	2.55
Tangible Personal Property	78,438,751	32.60	67,439,229	29.43
Total	$240,634,611	100.00%	$229,187,169	100.00%
Tax Rate per $1,000 of Assessed Valuation	$54.15		$54.25	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, accounts (tuition, and student fees), intergovernmental grants, and interest. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Professional Development Grant	$2,901
Summer Intervention	25,483
Title VI-B	43,108
Title I	53,610
Smart Grants	12,500
Transportation Reimbursement	52,928
Medicaid Reimbursement	18,372
Food Service	69,333
	$278,235

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 6/30/04	Additions	Deductions	Balance 6/30/05
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	$1,050,675	$322,761	$0	$1,373,436
Construction in Progress	3,318,272	1,626,124	(4,788,545)	155,851
Total Capital Assets, not Being Depreciated	4,368,947	1,948,885	(4,788,545)	1,529,287
Capital Assets, Being Depreciated:				
Land Improvements	1,095,031	0	0	1,095,031
Buildings and Improvements	9,392,957	9,261,591	0	18,654,548
Furniture and Equipment	5,558,855	225,324	(127,440)	5,656,739
Vehicles	843,547	0	0	843,547
Total Capital Assets, Being Depreciated	16,890,390	9,486,915	(127,440)	26,249,865
Less Accumulated Depreciation:				
Land Improvements	(825,223)	(69,701)	0	(894,924)
Buildings and Improvements	(6,574,059)	(226,925)	0	(6,800,984)
Furniture and Equipment	(4,531,182)	(302,226)	112,645	(4,720,763)
Vehicles	(583,848)	(61,781)	0	(645,629)
Total Accumulated Depreciation	(12,514,312)	(660,633) *	112,645	(13,062,300)
Capital Assets, Being Depreciated, Net	4,376,078	8,826,282	(14,795)	13,187,565
Governmental Activities Capital Assets, Net	$8,745,025	$10,775,167	($4,803,340)	$14,716,852

Additions to land and capital assets being depreciated includes $317,000 donated by the Ohio Department of Transportation.

NOTE 9 - CAPITAL ASSETS (continued)

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$320,641
Special	12,490
Vocational	3,890
Support Services:	
Pupils	9,393
Instructional Staff	42,573
Administration	28,220
Fiscal	2,335
Operation and Maintenance of Plant	15,086
Pupil Transportation	66,776
Operation of Non-Instructional Services	22,451
Extracurricular Activities	136,778
Total Depreciation Expense	$660,633

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Utica National Insurance Group for property and fleet insurance. The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). The School District contracts for education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with OSP.

NOTE 10 - RISK MANAGEMENT (continued)

Coverage includes:

Building and Contents-replacement cost ($5,000 deductible)	$43,636,206
Automobile Liability ($1,000 deductible)	1,000,000
Uninsured/Underinsured Motorists	500,000
Medical Expense	10,000
Education General Liability:	
Bodily Injury and Property Damage – Each Occurrence	1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Bodily Injury and Property Damage – Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability ($2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Employment Practices ($2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Violent Act	
Any Named Member or Covered Member	25,000
EMT charges	5,000
Medical Expense (In Excess of $25,000 per person)	25,000

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

NOTE 10 - RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 16). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System of Ohio

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were $1,180,513, $1,070,168, and $1,143,270, respectively; 82.81 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were $13,156 made by the School District and $17,235 made by the plan members.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were $295,823, $235,781, and $248,568, respectively; 48.83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, three members of the Board of Education have elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled $90,809 for fiscal year 2005.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at $27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid $134,787 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were $178,221,113 and the target level was $267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of $267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Dental and Life Insurance

Vision insurance is provided through Vision Service Plan and the School District provides dental and life insurance to most employees through CoreSource.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into capitalized leases for copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Two copiers acquired by lease have been capitalized in the governmental activities general capital assets in the amount of $18,872. This amount is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation on these copiers at fiscal year-end was $11,795, leaving a book value of $7,077. Principal payments made during fiscal year 2005 totaled $1,989 in the General Fund.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The School District has entered into a lease agreement for a renovation project involving the buildings of the School District. As part of the agreement, Banc One Leasing Corporation, as lessor, deposited $4,500,000 in the School District's name, with an escrow agent for the renovations to the buildings. Amounts will be paid to contractors by the School District as the work progresses. As of June 30, 2005, the work had been completed. The School District makes annual interest payments to the lessor and annual sinking fund payments to the escrow agent. The escrow agent is investing the School District's deposits and has guaranteed a return on the investments to meet the School district's lease liability. Banc One will be repaid in fiscal year 2019 when the $4,500,000 lease payment is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the lease is paid timely. The School District is current on the deposits.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Amount
2006	$31,218
2007	30,600
2008	30,600
2009	30,600
2010	30,600
2011-2015	153,000
2016-2019	4,622,400
Total	4,929,018
Less: Amount Representing Interest	(428,419)
Present Value of Minimum Lease Payments	$4,500,599

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the interest and sinking fund payments required under the lease and escrow agreements:

Fiscal Year Ending June 30,	Principal	Interest	Sinking Fund Payments	Total Lease Payment
2006	$0	$30,600	$229,555	$260,155
2007	0	30,600	229,555	260,155
2008	0	30,600	229,555	260,155
2009	0	30,600	229,555	260,155
2010	0	30,600	229,555	260,155
2011-2015	0	153,000	229,555	382,555
2016-2019	4,500,000	122,400	0	4,622,400
	$4,500,000	$428,400	$1,377,330	$6,305,730

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

Types / Issues	Balance 6/30/04	Issued	Retired	Balance 6/30/05	Due Within One Year
Governmental Activities:					
2003 Energy Conservation Loan 3.25%	$855,000	$0	$95,000	$760,000	$100,000
2003 School Improvement Bonds:					
Serial Bonds 2.00-4.40%	5,425,000	0	200,000	5,225,000	210,000
Term Bonds 4.75%	1,370,000	0	0	1,370,000	0
Capital Appreciation Bonds 9.27-10.08%	390,000	0	0	390,000	0
Accretion on Capital Appreciation Bonds	45,447	39,867	0	85,314	0
Amortization of Premium	122,979	0	5,124	117,855	0
Total Long-Term Debt	8,208,426	39,867	300,124	7,948,169	310,000
Compensated Absences Payable	1,239,938	176,092	147,372	1,268,658	227,793
Capital Lease Payable	4,502,588	0	1,989	4,500,599	598
Total - General Long-Term Obligations	$13,950,952	$215,959	$449,485	$13,717,426	$538,391

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

2003 Energy Conservation Loan - On June 16, 2003, Northridge Local Schools issued $947,125 in an unvoted general obligation loan 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 loan was issued for a nine year period with final maturity during fiscal year 2012. The debt will be retired from the anticipated savings over the ten years and will be paid from the General Fund.

School Improvement Bonds - On April 8, 2003, Northridge Local School District issued $7,380,000 in school improvement general obligation bonds. Of these bonds, $5,620,000 are serial bonds, $1,370,000 are term bonds, and $390,000 are capital appreciation bonds. The bonds were issued for a 25-year period with final maturity during fiscal year 2028. The bonds will be retired from the Bond Retirement Fund with property tax revenues.

The term bonds issued at $1,370,000 and maturing on December 1, 2027, will be subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Year	Amount to be Redeemed
2025	$435,000
2026	455,000
2027	480,000

The serial bonds maturing after December 1, 2013, are subject to optional redemption at the direction of the School District, in whole at any time or in part on any interest payment date, in any order as determined by the School District and by lot within a maturity, on or after December 1, 2012, at the redemption prices (expressed as percentages of the principal amount) set forth in the bond purchase agreement, plus accrued interest to the redemption date.

The capital appreciation bonds, issued at $390,000, will mature in fiscal years 2009 through 2011 in the principal amounts on the dates and will bear interest compounded semiannually on June 1 and December 1 of each year beginning in fiscal year 2009; at the compounding rates per year. The maturity amount of the capital appreciation bonds is $1,479,547. For fiscal year 2005, the capital appreciation bonds were accreted $39,867.

Capital leases will be paid from the General Fund. Compensated absences will be paid from the General, Food Service, Disadvantaged Pupil Impact Aid, and Title I Funds.

The School District's overall legal debt margin was $13,725,959, the energy conservation loan debt margin was $1,302,685, and the unvoted debt margin was $229,187 at June 30, 2005.

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Energy Conservation Loan Principal	Energy Conservation Loan Interest
2006	$100,000	$23,075
2007	100,000	19,825
2008	105,000	16,494
2009	110,000	13,000
2010	110,000	9,425
2011-2014	235,000	7,719
Totals	$760,000	$89,538

School Improvement General Obligation Bonds

	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
Fiscal year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2006	$210,000	$260,633	$0	$0	$0	$0
2007	230,000	256,232	0	0	0	0
2008	230,000	251,058	0	0	0	0
2009	0	0	0	0	135,000	348,182
2010	0	0	0	0	130,000	368,182
2011-2015	1,060,000	919,435	0	0	125,000	373,183
2016-2020	1,570,000	900,849	0	0	0	0
2021-2025	1,925,000	540,509	0	0	0	0
2026-2028	0	0	1,370,000	99,750	0	0
Total	$5,225,000	$3,128,716	$1,370,000	$99,750	$390,000	$1,089,547

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy, and Greenville. 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.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS (continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The School District paid MDECA $83,931 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council -The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2005, the School District paid $1,043 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2005, the School District paid $5,615 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS (continued)

Miami Valley Career Technology Center - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from the Miami County Educational Service Center. The School District did not contribute financially to this organization during fiscal year 2005. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

B. Insurance Purchasing Pools

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

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS (continued)

Ohio School Plan – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Schuett Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Schuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

NOTE 17 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set-aside for this purpose.

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

Company	Textbooks/ Instructional Materials	Capital Maintenance	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2004	($50,119)	$0	$52,637
Current Fiscal Year Set-aside Requirement	266,546	266,546	0
Current Year Offsets	0	(173,330)	0
Qualifying Disbursements	(298,943)	(93,216)	0
Totals	($82,516)	$0	$52,637
Set-aside Balances Carried Forward to Future Fiscal Years	($82,516)	$0	$52,637
Set-aside Reserve Balance as of June 30, 2005	($82,516)	$0	$52,637

NOTE 17 - SET-ASIDE CALCULATIONS

The School District had qualifying disbursements during the fiscal year that reduced textbook/instructional materials below zero. The extra amount for textbook/instructional materials may be used to reduce the set-aside requirements in future fiscal years.

NOTE 18 - 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, 2005.

B. Litigation

The School District is a party in legal proceedings. The School District is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

NOTE 19 - INTERFUND TRANSACTIONS

There were no interfund receivables/payables at the end of the fiscal year. However, an advance in the amount of $6,000 from the General Fund to Other Governmental Funds was made and repaid during the fiscal year.

NOTE 20 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2005, the School District had contractual purchase commitments as follows:

Company	Original Contract Amount	Amount Expended	Balance at 6/30/2005
Calvery Contracting	$84,499	$41,958	$42,541
Detillion Fence Company	77,700	71,923	5,777
Zero-Breese	387,992	170,700	217,292
Totals	$550,191	$284,581	$265,610

NORTHRIDGE SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		$100,061		$100,061
School Breakfast Program	05PU-2004	10.553	$37,606		$37,606	
	05PU-2005		102,099		102,099	
			139,705		139,705	
National School Lunch Program	LLP1-2004	10.555	361		361	
	LLP1-2005		3,298		3,298	
	LLP4-2004		110,194		110,194	
	LLP4-2005		280,970		280,970	
			394,823		394,823	
Total U.S. Dept. of Agriculture - Nutrition Cluster			**534,528**	**100,061**	**534,528**	**100,061**
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Title I Grants to Local Agencies	C1S1-2004	84.010	71,791		73,147	
	C1S1-2005		714,387		700,584	
			786,178		773,731	
Special Education Cluster:						
IDEA Part B	6BSF-2005	84.027	387,975		335,020	
Preschool Grants	PGS1-2005	84.173	7,104		7,104	
Total Special Education Cluster			395,079		342,124	
Safe & Drug-Free Schools & Communities State Grants	DRS1-2005	84.186	18,488		18,488	
Even Start – State Educational Agencies	EVS1-2004	84.213	25,147		33,812	
	EVS1-2005		141,673		135,498	
			166,820		169,310	
Innovative Educational Program Strategies	C2S1-2005	84.298	9,489		9,489	
Education Technology – State Grant	TJS1-2005	84.318	18,992		18,992	
Comprehensive School Reform Demonstration	RFCC-2004	84.332			5,185	
	RFCC-2005		50,000		50,000	
			50,000		55,185	
English Language Acquisition Grant	TRSI-2004	84.367	(6,180)		7,822	
	TRSI-2005		184,833		166,576	
			178,653		174,398	
Total U.S. Department of Education			**1,623,699**		**1,561,717**	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through Montgomery Co. Educ. Service Center:						
State Childrens Insurance Program	N/A	93.767	4,260		4,260	
Medical Assistance Program	N/A	93.778	56,036		56,036	
Passed Through State Department of MRDD						
Medical Assistance Program		93.778	3,293		3,293	
Total Medical Assistance Program			59,329		59,329	
Total U.S. Dept. of Health and Human Services			**63,589**		**63,589**	
Total Federal Assistance			**$2,221,816**	**$100,061**	**$2,159,834**	**$100,061**

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

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

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

Auditor of State
Betty Montgomery

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

Northridge Local School District
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated February 3, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated February 3, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

Betty Montgomery
Auditor of State

February 3, 2006

Auditor of State
Betty Montgomery

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

Northridge Local School District
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414

To the Members of the Board:

Compliance

We have audited the compliance of Northridge Local School District, Montgomery County, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Northridge Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Betty Montgomery

Betty Montgomery
Auditor of State

February 3, 2006

NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	84.010 Title I Grant Special Education Cluster: 84.027 IDEA Part B 84.173 Preschool Grant
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

FINDING NUMBER 2005-001

Reportable Condition

Capital Assets

Certain deficiencies were noted in the District's procedures regarding their capital assets. To adequately account for capital assets, the District should address the following conditions:

- The District's capital asset policy states "Like assets in the same room are grouped together and included, if the collective value meets the dollar threshold. The group of fixed assets uses one tag number." The General Finance Officers Association (GFOA) recommends capitalization thresholds be applied to individual fixed assets, rather than to groups of fixed assets. The District has capitalized various items such as desks, chairs, tables, televisions, VCR's, and uniforms which individually do not meet the capitalization criteria. The District should consider amending its policy to be more inline with the recommended accounting practices and removing grouped assets from the amounts presented as capitalized assets.

- The District's capital asset policy states "A full year of depreciation will be used for the year of acquisition." However, the system calculates seven months of depreciation during the year of acquisition, five months for the final year, and a full year for the years in between. The District should consider amending its policy to be inline with the capitalization taken by the accounting system or adjust the system to agree with the stated policy.

- The District had several replacement projects (i.e, boiler replacements, roof replacements, auditorium renovations) in 2004 and 2005 that were capitalized. However there were no dispositions of the replaced asset. There were numerous other assets that were described as replacements or repairs which were included on the capital asset listing. The District should use the consumer price index and discount back to the year when the asset was purchased to determine the value of the replaced assets when they are included as part of another asset (i.e., buildings).

- There were several capital asset items where the value was incorrectly recorded or the items were recorded twice. This occurred on the cafeteria improvement project ($149,165 overstated), the playground project ($123,345 overstated), and the stadium scoreboard ($6,000 overstated). The cafeteria renovation and the playground projects were posted as multiple asset numbers.

- The District upgraded the phone systems in each building in a project that spanned fiscal years 2004 and 2005. The first half of the contract was paid in fiscal 2004 and recorded in the Building and Improvements class of assets which has a useful life of 20 years for each school. The second half of the contract was paid in fiscal 2005 and recorded as a separate asset in the Furniture, Fixture and Equipment class for each school which has a useful life of 10 years. The total costs should be posted as one asset for each school within the same class so the depreciation is calculated consistently.

- There were 25 items totaling $199,287.96 which were not included as additions into the capital asset system and these items were not included on the addition sheets maintained by the District.

- There were items purchased that noted trade-ins on the invoice. There were two tractors purchased from John Deere (check # 58823 and #59339), each with a trade-in, but no deletions were noted. We also noted that a piano was purchased (check #61318) with reference to a trade in, but no pianos were noted as deleted or discarded.

FINDING NUMBER 2005-001
(Continued)

- There were also items that were added but should not have been because they were below the capitalization threshold of $500 or did not qualify to be recorded as an asset. Asset # 2186 was recorded as a new asset even though the invoice indicated it was for repair of the air compressor on the Beverage-Aire machine. Asset #2188 was booked as one asset, but the invoice showed that it was actually two Funacho machines which were individually below $500. Asset #2053 was recorded as one asset, but a review of the invoice indicated that it was actually six handheld scanners which were each below $500.

- There were assets for which a deletion sheet was properly completed and turned in to the District's Board Office. However, these items were not deleted from the system. They are assets #937, #1235, #1236 and #855.

- The system's EIS305 report included approximately 165 assets for which there was no acquisition date included and therefore no depreciation was calculated for these items. The amount calculated as omitted was $215,142 for current year and an additional $117,766 for previous accumulated depreciation.

- There were fiscal 2005 capital assets additions added to the system by the District after the system was closed for the fiscal year. Since the system was closed these assets did not have any depreciation calculated and it was omitted from the financial statements. The amount calculated as omitted was $102,603.

The failure to maintain an accurate capital asset accounting system could result in inaccurate financial reporting and the District's inability to verify those assets properly. The District should implement policies and procedures to prevent the errors and omissions noted above from occurring enabling the District to provide accurate capital asset amounts for financial statement presentation.

Auditor of State
Betty Montgomery

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NORTHRIDGE LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 9, 2006