



Mary Taylor, CPA
Auditor of State

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northridge Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2007, 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 Northridge Local School District, Licking County, Ohio, as of June 30, 2007, 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 14, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

February 14, 2008

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of the Northridge Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2007 are as follows:

- Net assets of governmental activities increased \$535,276.
- General revenues accounted for \$11,769,906 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$2,034,953, 15 percent of total revenues of \$13,804,859.
- Total assets of governmental activities decreased \$432,188. The majority of the decrease was due to a decrease in cash and cash equivalents in the amount of \$420,101 and a decrease in capital assets in the amount of \$332,602. These decreases are offset by an increase in income taxes receivable of \$169,635, an increase in property taxes receivable of \$88,584, and an increase in intergovernmental receivables of \$62,815.
- The School District had \$13,269,583 in expenses related to governmental activities; only \$2,034,953 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$11,769,906 were adequate to provide for these programs.
- The School District has two major funds; the general fund and the debt service fund. The general fund had \$11,732,278 in revenues, \$11,514,310 in expenditures, and \$4,476 in other financing sources. The general fund's balance increased \$222,444. The debt service fund had \$942,915 in revenues and \$1,014,258 in expenditures. The debt service fund's balance decreased \$71,343.

Using this Annual Financial Report

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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 2007 compared to 2006.

Table 1 - Net Assets

	<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Assets			
Current and Other Assets	\$6,756,559	\$6,856,145	(\$99,586)
Capital Assets	14,403,894	14,736,496	(332,602)
Total Assets	<u>21,160,453</u>	<u>21,592,641</u>	<u>(432,188)</u>
Liabilities			
Long-Term Liabilities	8,430,939	9,075,551	(644,612)
Other Liabilities	5,758,978	6,081,830	(322,852)
Total Liabilities	<u>14,189,917</u>	<u>15,157,381</u>	<u>(967,464)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	7,064,113	6,743,800	320,313
Restricted	607,084	689,086	(82,002)
Unrestricted (Deficit)	(700,661)	(997,626)	296,965
Total Net Assets	<u>\$6,970,536</u>	<u>\$6,435,260</u>	<u>\$535,276</u>

Total assets decreased \$432,188. The majority of the decrease was due to a decrease in cash and cash equivalents in the amount of \$420,101 and a decrease in capital assets in the amount of \$332,602. These decreases are offset by an increase in income taxes receivable in the amount of \$169,635, an increase in property taxes receivable in the amount of \$88,584, and an increase in intergovernmental receivables in the amount of \$62,815. The decrease in cash and cash equivalents was primarily due to the School District's cash flow situation where the operating expenditures exceeded the fixed revenue stream during fiscal year 2007. The decrease in capital assets was due to the current year depreciation for fiscal year 2007. Due to the School District's cash flow situation, no significant assets were replaced or purchased. The increase in property taxes receivable is due to the increase in assessed values of property within the School District. The increase in intergovernmental receivables was due to the School District receiving more of the grant awards during fiscal year 2006 compared to fiscal year 2007. During fiscal year 2007, more grant funding was received after fiscal year end. In addition, the intergovernmental receivable increase was also due to the School District receiving an open enrollment adjustment in October 2007, no adjustment occurred during fiscal year 2006.

Total liabilities decreased \$967,464. Accounts payable decreased \$288,858 due mainly to large payables for transportation services and special education services in fiscal year 2006 that did not occur in fiscal year 2007. Accrued Wages and Benefits Payable decreased \$102,976 primarily due to a decrease in the number of staff employed by the School District during fiscal year 2007 compared to fiscal year 2006. In addition, the School District paid the July 2007 health insurance in June, therefore there was only one month recorded as a payable in fiscal year 2007 compared to two in fiscal year 2006. Long-term liabilities decreased \$644,612 primarily due to the School District paying \$95,000 on the Energy Conservation Note, \$490,000 on the Classroom Facilities Refunding General Improvement Serial Bond, \$55,000 on the School Energy Conservation Improvement General Obligation Bond, and \$13,499 on the HVAC computer equipment capital lease principal. These decreases are offset by an increase in deferred revenue of \$65,827 due mainly to an anticipated increase in property taxes receivable.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007 and comparisons to fiscal year 2006.

Table 2 - Changes in Net Assets

	Governmental Activities		
	2007	2006	Change
Revenues			
Program Revenues:			
Charges for Services	\$1,027,824	\$1,071,950	(\$44,126)
Operating Grants and Contributions	983,815	1,017,392	(33,577)
Capital Grants and Contributions	23,314	10,753	12,561
	<u>2,034,953</u>	<u>2,100,095</u>	<u>(65,142)</u>
General Revenue:			
Property Taxes	4,582,465	4,217,475	364,990
Income Taxes	2,209,884	1,932,421	277,463
Gain on Sale of Capital Asset	1,276	0	1,276
Grants and Entitlements	4,855,128	4,471,207	383,921
Investment Earnings	53,895	75,875	(21,980)
Miscellaneous	67,258	37,549	29,709
	<u>11,769,906</u>	<u>10,734,527</u>	<u>1,035,379</u>
Total Revenues	<u>13,804,859</u>	<u>12,834,622</u>	<u>970,237</u>
Program Expenses			
Instruction			
Regular	5,169,729	5,411,728	(241,999)
Special	1,459,172	1,491,995	(32,823)
Vocational	150,620	134,619	16,001
Support Services			
Pupil	718,338	616,376	101,962
Instructional Staff	321,346	377,250	(55,904)
Board of Education	82,472	7,252	75,220
Administration	1,181,959	1,108,573	73,386
Fiscal	514,742	498,626	16,116
Business	28,900	39,575	(10,675)
Operation and Maintenance of Plant	1,115,864	1,202,140	(86,276)
Pupil Transportation	1,294,423	1,273,021	21,402
Central	127,108	138,931	(11,823)
Operation of Non-Instructional Services:			
Food Service Operations	377,848	472,837	(94,989)
Community Services	4,356	2,434	1,922
Extracurricular Activities	361,474	398,663	(37,189)
Interest and Fiscal Charges	361,232	266,996	94,236
Total Program Expenses	<u>13,269,583</u>	<u>13,441,016</u>	<u>(171,433)</u>
<i>Change in Net Assets</i>	535,276	(606,394)	1,141,670
Net Assets Beginning of Year	<u>6,435,260</u>	<u>7,041,654</u>	<u>(606,394)</u>
Net Assets End of Year	<u>\$6,970,536</u>	<u>\$6,435,260</u>	<u>\$535,276</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Net assets increased by \$535,276 in fiscal year 2007. Revenues showed an increase of \$970,237 due mainly to an increase in grants and entitlements in the amount of \$383,921, an increase in property taxes in the amount of \$364,990 and an increase in income taxes in the amount of \$277,463. Property taxes revenues in fiscal year 2007 showed an increase mainly due to an increase in assessed values within the School District due to new construction. Expenses decreased by \$171,433 from the prior year. The majority of the decrease is seen in regular instruction of \$241,999. During fiscal year 2007, the School District had 91 certificated full-time teaching personnel compared to 96 certificated full-time teaching personnel during fiscal year 2006.

Instruction comprises approximately 51 percent of governmental program expenses and support services make up approximately 41 percent of the program expenses of the School District.

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

Table 3 - Governmental Activities

	2007 Total Cost of Services	2007 Net Cost of Services	2006 Total Cost of Services	2006 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$5,169,729	\$4,641,732	\$5,411,728	\$5,343,559
Special	1,459,172	834,514	1,491,995	822,732
Vocational	150,620	115,260	134,619	101,308
Support Services:				
Pupil	718,338	674,824	616,376	616,376
Instructional Staff	321,346	314,032	377,250	336,363
Board of Education	82,472	82,472	7,252	7,252
Administration	1,181,959	1,125,596	1,108,573	1,093,073
Fiscal	514,742	434,890	498,626	416,712
Business	28,900	28,900	39,575	39,575
Operation and Maintenance of Plant	1,115,864	1,097,495	1,202,140	1,180,865
Pupil Transportation	1,294,423	1,225,644	1,273,021	1,262,268
Central	127,108	103,299	138,931	107,211
Operation of Non-Instructional Services:				
Food Service Operations	377,848	23,217	472,837	13,435
Community Services	4,356	(351)	2,434	(2,338)
Extracurricular Activities	361,474	171,874	398,663	228,483
Interest and Fiscal Charges	361,232	361,232	266,996	266,996
Totals	<u>\$13,269,583</u>	<u>\$11,234,630</u>	<u>\$13,441,016</u>	<u>\$11,833,870</u>

Table 3 clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2007, only 15 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants and contributions. The remaining 85 percent is provided through taxes and entitlements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,737,363, expenditures of \$13,577,057, and other financing sources of \$4,476.

The School District is aware of the rapid decline in the cash balance, as well as the fund balance of the general fund. The Superintendent and Treasurer implemented self-imposed budget cuts during fiscal year 2007. The self-imposed budget cuts include the following: reduced staff, beginning all building classes at the same time to run single bus routes; the implementation of the early retirement incentive plan; curtailment of professional development expenditures; elimination of summer school transportation; and an increase in the cost charged to students participating in extracurricular activities (Pay-to-play).

Other Governmental Major Funds

Debt Service Fund

The fund balance of the Debt Service Fund at June 30, 2007 is \$524,695, a decrease of \$71,343 from the prior year primarily due to an increase in the principal and interest payments on the Classroom Facilities Refunding bonds. During fiscal year 2006, the principal and interest payments were only for a partial year whereas the principal and interest payments for fiscal year 2007 were for the entire year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the School District amended its general fund appropriations and receipts, but not significantly.

The School District's ending general fund budgetary balance was (\$24,055) due to the School District's expenditures and encumbrances exceeding available revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007 the School District had \$14,403,894 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2007 balances compared to 2006.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

**Table 4 - Capital Assets at June 30, 2007
(Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$242,190	\$242,190
Land Improvements	565,387	587,576
Buildings and Improvements	11,656,174	11,831,199
Furniture and Equipment	1,926,446	2,067,084
Vehicles	13,697	8,447
Totals	<u>\$14,403,894</u>	<u>\$14,736,496</u>

See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2007, the School District had \$7,474,098 in energy conservation notes, classroom facility improvement refunding bonds, school energy conservation improvement bonds, and capital leases outstanding.

Table 5 - Outstanding Debt, at Fiscal Year End

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
	Energy Conservation Notes	\$100,000
Classroom Facility Improvement Refunding Bonds	6,290,000	6,780,000
Bond Premium	310,859	337,890
Deferred Amount on Refunding	(201,514)	(219,037)
School Energy Conservation Improvement Bonds	940,000	995,000
Bond Premium	16,909	18,262
Capital Leases	17,844	31,343
Totals	<u>\$7,474,098</u>	<u>\$8,138,458</u>

See Note 14 for more detailed information of the School District's debt.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Closing Comments

As the preceding information shows, the School District relies heavily on its property tax payers, income tax payers, and state subsidies. The School District is understanding of the operating deficit and are trying to be conservative in the area of expenditures; however, projections are hard to make when the instability of state subsidies (HB 66) exist as they do today. Due to this concern of the operating deficit, the School District placed an increase in the income tax levy on the November 2007 ballot but it did not pass. To help with the cash flow issues, the School District's Board of Education has currently approved up to \$1,200,000 in short term borrowing which is contingent to borrowing authority as set forth in the Ohio Revised Code. On January 9, 2008, the School District issued a current revenue anticipation note for \$681,000 which matures on June 30, 2008.

Contacting the School District's Financial Management

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 701,185
Materials and Supplies Inventory	8,808
Inventory Held for Resale	13,049
Intergovernmental Receivable	75,939
Accrued Interest Receivable	5,917
Income Taxes Receivable	1,038,780
Prepaid Items	32,467
Accounts Receivable	23,587
Property Taxes Receivable	4,739,419
Deferred Charges	117,408
Nondepreciable Capital Assets	242,190
Depreciable Capital Assets, Net	14,161,704
<i>Total Assets</i>	21,160,453
Liabilities	
Accounts Payable	91,966
Accrued Wages and Benefits Payable	811,842
Matured Compensated Absences Payable	60,978
Accrued Interest Payable	27,587
Intergovernmental Payable	443,212
Deferred Revenue	4,323,393
Long-Term Liabilities:	
Due Within One Year	681,619
Due In More Than One Year	7,749,320
<i>Total Liabilities</i>	14,189,917
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,064,113
Restricted for:	
Debt Service	496,815
Capital Projects	6,339
Class Size Reduction	29,756
Classroom Facilities Maintenance	36,498
District Managed Activities	13,397
Other Purposes	24,279
Unrestricted (Deficit)	(700,661)
<i>Total Net Assets</i>	\$ 6,970,536

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense)
		Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 5,169,729	\$ 516,758	\$ 2,301	\$ 8,938	\$ (4,641,732)
Special	1,459,172	-	624,658	-	(834,514)
Vocational	150,620	-	35,360	-	(115,260)
Support Services:					
Pupil	718,338	-	43,514	-	(674,824)
Instructional Staff	321,346	-	7,314	-	(314,032)
Board of Education	82,472	-	-	-	(82,472)
Administration	1,181,959	479	55,884	-	(1,125,596)
Fiscal	514,742	-	79,852	-	(434,890)
Business	28,900	-	-	-	(28,900)
Operation and Maintenance					
of Plant	1,115,864	13,250	5,119	-	(1,097,495)
Pupil Transportation	1,294,423	-	54,403	14,376	(1,225,644)
Central	127,108	-	23,809	-	(103,299)
Operation of Non-Instructional					
Services:					
Food Service Operations	377,848	305,730	48,901	-	(23,217)
Community Services	4,356	2,007	2,700	-	351
Extracurricular Activities	361,474	189,600	-	-	(171,874)
Interest and Fiscal Charges	361,232	-	-	-	(361,232)
Totals	\$ 13,269,583	\$ 1,027,824	\$ 983,815	\$ 23,314	(11,234,630)
General Revenues					
Property Taxes Levied for:					
					3,647,132
					859,705
					75,628
					2,209,884
					1,276
					4,855,128
					53,895
					67,258
					<u>11,769,906</u>
					535,276
					6,435,260
					<u>\$ 6,970,536</u>

See accompanying notes to the basic financial statements

**NORTHBRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 8,293	\$ 475,640	\$ 217,252	\$ 701,185
Materials and Supplies Inventory	8,164	-	644	8,808
Inventory Held for Resale	-	-	13,049	13,049
Intergovernmental Receivable	30,937	-	45,002	75,939
Accrued Interest Receivable	5,917	-	-	5,917
Income Taxes Receivable	1,038,780	-	-	1,038,780
Prepaid Items	31,327	-	1,140	32,467
Accounts Receivable	23,272	-	315	23,587
Property Taxes Receivable	3,887,342	769,246	82,831	4,739,419
Total Assets	\$ 5,034,032	\$ 1,244,886	\$ 360,233	\$ 6,639,151
Liabilities				
Accounts Payable	84,243	-	7,723	91,966
Accrued Wages and Benefits Payable	761,518	-	50,324	811,842
Matured Compensated Absences Payable	60,978	-	-	60,978
Intergovernmental Payable	421,016	-	22,196	443,212
Deferred Revenue	3,816,614	720,191	113,308	4,650,113
Total Liabilities	5,144,369	720,191	193,551	6,058,111
Fund Balances				
Reserved for Encumbrances	18,950	-	7,786	26,736
Reserved for Property Taxes	232,153	47,623	3,950	283,726
Unreserved:				
Undesignated, Reported in:				
General Fund (Deficit)	(361,440)	-	-	(361,440)
Special Revenue Funds	-	-	148,607	148,607
Debt Service Fund	-	477,072	-	477,072
Capital Projects Funds	-	-	6,339	6,339
Total Fund Balances	(110,337)	524,695	166,682	581,040
Total Liabilities and Fund Balances	\$ 5,034,032	\$ 1,244,886	\$ 360,233	\$ 6,639,151

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCE TO THE NET ASSETS
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances	\$	581,040
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Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		14,403,894
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Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:		
Property Taxes Receivable	121,125	
Income Taxes Receivable	136,680	
Intergovernmental Receivable	64,386	
Student Fees	4,529	326,720

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds.		117,408
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Bonds and Notes Payable	(7,330,000)	
Bond Premium	(327,768)	
Deferred Amount on Refunding	201,514	
Accrued Interest Payable	(27,587)	
Capital Leases Payable	(17,844)	
Compensated Absences	(716,126)	
Termination Benefits Payable	(240,715)	(8,458,526)

Net Assets of Governmental Activities	\$	6,970,536
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See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 3,664,442	\$ 863,227	\$ 75,964	\$ 4,603,633
Income Taxes	2,186,208	-	-	2,186,208
Intergovernmental	5,229,793	79,688	479,927	5,789,408
Interest	53,895	-	8,463	62,358
Tuition and Fees	517,432	-	-	517,432
Extracurricular Activities	-	-	192,086	192,086
Rentals	13,250	-	-	13,250
Charges for Services	-	-	305,730	305,730
Miscellaneous	67,258	-	-	67,258
Total Revenues	11,732,278	942,915	1,062,170	13,737,363
Expenditures				
Current:				
Instruction:				
Regular	5,005,971	-	11,264	5,017,235
Special	1,144,526	-	277,018	1,421,544
Vocational	137,086	-	-	137,086
Support Services:				
Pupils	658,454	-	47,894	706,348
Instructional Staff	293,813	-	4,683	298,496
Board of Education	82,472	-	-	82,472
Administration	1,107,672	-	30,760	1,138,432
Fiscal	514,207	11,218	1,289	526,714
Business	28,900	-	-	28,900
Operation and Maintenance of Plant	1,034,429	-	40,207	1,074,636
Pupil Transportation	1,231,528	-	62,000	1,293,528
Central	100,975	-	26,133	127,108
Operation of Non-Instructional Services:				
Food Service Operations	-	-	338,386	338,386
Community Services	-	-	4,356	4,356
Extracurricular Activities	146,883	-	189,683	336,566
Capital Outlay	27,394	-	-	27,394
Debt Service:				
Principal Retirement	-	640,000	13,499	653,499
Interest and Fiscal Charges	-	363,040	1,317	364,357
Total Expenditures	11,514,310	1,014,258	1,048,489	13,577,057
Excess of Revenues Over (Under) Expenditures	217,968	(71,343)	13,681	160,306
Other Financing Sources				
Proceeds from Sale of Capital Assets	4,476	-	-	4,476
Net Change in Fund Balances	222,444	(71,343)	13,681	164,782
Fund Balances (Deficit) Beginning of Year	(332,781)	596,038	153,001	416,258
Fund Balances (Deficit) End of Year	<u>\$ (110,337)</u>	<u>\$ 524,695</u>	<u>\$ 166,682</u>	<u>\$ 581,040</u>

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds		\$ 164,782
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital Asset Additions	26,305	
Depreciation Expense	<u>(355,707)</u>	(329,402)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Gain on the Sale of Capital Assets	1,276	
Proceeds from the Sale of Capital Assets	<u>(4,476)</u>	(3,200)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	64,386	
Student Fees	(674)	
Income Taxes	23,676	
Delinquent Taxes	<u>(21,168)</u>	66,220
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		653,499
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		
		2,356
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences Payable	38,597	
Termination Benefits Payable	<u>(58,345)</u>	(19,748)
The amortization of premiums and issuance costs are reported on the statement of activities:		
Premium Amortization	28,384	
Issuance Costs Amortization	<u>(10,092)</u>	18,292
The difference between the net carrying amount of the refunded debt and the acquisition price is allocated over the life of the outstanding debt on the statement of activities.		
		<u>(17,523)</u>
<i>Change in Net Assets of Governmental Activities</i>		<u>\$ 535,276</u>

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,635,475	\$ 3,713,279	\$ 3,636,945	\$ (76,334)
Income Tax	1,916,000	2,040,249	2,040,249	-
Intergovernmental	5,137,000	5,232,689	5,232,380	(309)
Investment Earnings	53,000	52,711	52,711	-
Tuition and Fees	574,950	517,440	517,440	-
Rentals	12,240	12,250	12,250	-
Miscellaneous	84,810	52,636	52,636	-
<i>Total Revenues</i>	<u>11,413,475</u>	<u>11,621,254</u>	<u>11,544,611</u>	<u>(76,643)</u>
Expenditures				
Current:				
Instruction:				
Regular	4,960,049	4,635,775	4,865,299	(229,524)
Special	1,154,008	1,138,957	1,138,956	1
Vocational	125,160	138,496	138,496	-
Other	145,940	191,668	191,668	-
Support Services:				
Pupil	577,138	644,591	644,591	-
Instructional Staff	354,749	313,867	313,867	-
Board of Education	6,942	62,247	62,247	-
Administration	1,003,742	1,101,867	1,101,867	-
Fiscal	408,823	493,372	493,372	-
Business	40,000	14,246	14,246	-
Operation and Maintenance of Plant	1,128,816	1,065,601	1,065,600	1
Pupil Transportation	1,193,404	1,520,036	1,520,036	-
Central	105,376	94,563	94,563	-
Extracurricular Activities	162,899	148,543	148,543	-
Capital Outlay	-	22,844	22,844	-
<i>Total Expenditures</i>	<u>11,367,046</u>	<u>11,586,673</u>	<u>11,816,195</u>	<u>(229,522)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	46,429	34,581	(271,584)	(306,165)
Other Financing Source				
Advances In	-	9,987	9,987	-
<i>Net Change in Fund Balance</i>	46,429	44,568	(261,597)	(306,165)
<i>Fund Balance Beginning of Year</i>	98,503	98,503	98,503	-
Prior Year Encumbrances Appropriated	<u>139,039</u>	<u>139,039</u>	<u>139,039</u>	-
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 283,971</u>	<u>\$ 282,110</u>	<u>\$ (24,055)</u>	<u>\$ (306,165)</u>

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2007**

Assets

Cash and Cash Equivalents	\$	37,931
Cash and Cash Equivalents in Segregated Accounts		<u>31,628</u>
<i>Total Assets</i>	<u>\$</u>	<u>69,559</u>

Liabilities

Intergovernmental Payable	\$	31,628
Due to Students		<u>37,931</u>
<i>Total Liabilities</i>	<u>\$</u>	<u>69,559</u>

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1962 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 120 square miles. It is located in Licking, Knox, and Delaware Counties, and includes Burlington Township and the Villages of Alexandria and Croton. The School District is staffed by 49 classified employees, 91 certificated full-time teaching personnel, and 7 administrative employees who provide services to 1,523 students and other community members. The School District currently operates five instructional buildings, one administrative building, and one garage.

Reporting Entity

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

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

The School District is associated with four jointly governed organizations and an insurance purchasing pool. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, the Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which are presented in Notes 16 and 18 to the basic financial statements. The School District is associated with a related organization, the Alexandria Public Library which is discussed in Note 17.

Note 2 - Summary of Significant Accounting Policies

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Process

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

F. Cash and Cash Equivalents

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

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$53,895, which includes \$28,370 assigned from other School District funds.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These bank accounts are presented on the financial statements as "Cash and Cash Equivalents in Segregated Accounts" since these funds are not deposited into the School District Treasury.

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

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

I. Inventory

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Receivables and Payables

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

K. Capital Assets

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

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

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

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

L. Interfund Balances

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

M. Compensated Absences

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

N. Accrued Liabilities and Long-term Obligations

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

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

O. Bond Premiums, Gains on Refinancing and Issuance Costs

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

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

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

P. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Q. Net Assets

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

The government-wide statement of net assets reports \$607,084 of restricted net assets, of which none is restricted by enabling legislation.

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

S. Estimates

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

Note 3 – Accountability and Compliance

A. Accountability

The following funds had deficit fund balances as of June 30, 2007:

	<u>Deficit Fund Balances</u>
<u>General Fund</u>	(\$110,337)
<u>Special Revenue Funds:</u>	
Title VI-B IDEA	(25,011)
Title I	(4,128)

The deficit balances in the general fund and special revenue funds are a result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit in the general fund is of great concern to the School District. The School District placed an increase in the income tax levy on the November 2007 ballot but it did not pass. To help with the cash flow issues, the School District's Board of Education has currently approved up to \$1,200,000 in short term borrowing which is contingent to borrowing authority as set forth in the Ohio Revised Code.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 3 – Accountability and Compliance (Continued)

B. Compliance

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

	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
SchoolNet Professional Development	\$8,938	\$8,983	(\$45)
Ohio Reads	2,000	4,000	(2,000)

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

	<u>Excess</u>
<u>General Fund</u>	(\$229,522)
<u>Special Revenue Funds:</u>	
Food Service	(5,806)
Educational Management Information Systems	(4,999)
Miscellaneous Federal Grants	(12,531)

Revised Code Section 5705.36 requires that a reduced amended certificate be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The School District did not request a reduced amended certificate for the general fund when actual revenues were \$76,643 less than estimated. Had the School District obtained a reduced certificate, a reduction in appropriations would have also been required. The lack of obtaining a reduced amended certificate along with a corresponding reduction in appropriations contributed to the School District's negative unencumbered general fund balance of (\$24,055).

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

Note 4 - Budgetary Basis of Accounting

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 4 - Budgetary Basis of Accounting (Continued)

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

Net Change in Fund Balance	
GAAP Basis	\$222,444
Net Adjustment for Revenue Accruals	(192,143)
Net Adjustment for Expenditure Accruals	(271,713)
Beginning:	
Prepaid Items	33,503
Ending:	
Prepaid Items	(31,327)
Advances In	9,987
Adjustment for Encumbrances	<u>(32,348)</u>
Budget Basis	<u><u>(\$261,597)</u></u>

Note 5 - Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 5 - Deposits and Investments (Continued)

4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$911,204 of the School District's bank balance of \$1,011,204 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2007, the School District had the following investments.

	<u>Fair Value</u>	<u>Average Maturity</u>
STAROhio	\$7,355	38.56 Days

Interest Rate Risk

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

Credit Risk

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 6 - Property Taxes

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

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

The School District receives property taxes from Licking, Knox, and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$283,726, \$232,153 was available to the general fund, \$3,950 was available to the classroom facilities maintenance special revenue fund, and \$47,623 was available to the bond retirement debt service fund. The amount available as an advance at June 30, 2006, was \$226,907, \$193,259 was available to the general fund, \$3,632 was available to the classroom facilities maintenance special revenue fund, and \$30,016 was available to the bond retirement debt service fund.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 6 - Property Taxes (Continued)

The June 30 personal property tax settlement that was received July, 2007 amounted to \$9,590 in the general fund, \$153 in the classroom facilities maintenance special revenue fund, and \$1,432 in the bond retirement debt service fund. The June 30 personal property tax settlement that was received July, 2006 amounted to \$20,987 in the general fund, \$328 in the classroom facilities maintenance special revenue fund, and \$2,754 in the bond retirement debt service fund.

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 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$190,517,970	93.60%	\$198,488,950	94.28%
Public Utility Personal	11,315,990	5.56%	11,132,200	5.29%
General Business Personal	1,715,795	0.84%	906,564	0.43%
	\$203,549,755	100.00%	\$210,527,714	100.00%
Tax rate per \$1,000 of assessed valuation	\$38.70		\$38.50	

Note 7 - Income Tax

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

Note 8 - Receivables

Receivables at June 30, 2007 consisted of property taxes, income taxes, accounts (billings for user charged services, vendors commissions, and tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$121,125 for fiscal year 2007.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 8 – Receivables (Continued)

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amounts</u>
National School Lunch Program	\$10,422
Ohio Department of Education - Open Enrollment	29,806
Licking Area Computer Association Reimbursement	1,131
Title I	5,371
Title V	1,572
Drug Free Schools Grant	3,047
Class Size Reduction	23,774
Title II-D	816
Total	<u><u>\$75,939</u></u>

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Nondepreciable Capital Assets				
Land	<u>\$242,190</u>	<u>\$0</u>	<u>\$0</u>	<u>\$242,190</u>
Depreciable Capital Assets				
Land Improvements	888,417	11,328	0	899,745
Buildings and Improvements	14,220,664	0	0	14,220,664
Furniture and Equipment	3,002,910	4,201	0	3,007,111
Vehicles	10,100	10,776	(4,000)	16,876
Total at Historical Cost	<u>18,122,091</u>	<u>26,305</u>	<u>(4,000)</u>	<u>18,144,396</u>
Less Accumulated Depreciation				
Land Improvements	(300,841)	(33,517)	0	(334,358)
Buildings and Improvements	(2,389,465)	(175,025)	0	(2,564,490)
Furniture and Equipment	(935,826)	(144,839)	0	(1,080,665)
Vehicles	(1,653)	(2,326)	800	(3,179)
Total Accumulated Depreciation	<u>(3,627,785)</u>	<u>(355,707)</u>	<u>800</u>	<u>(3,982,692)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>14,494,306</u>	<u>(329,402)</u>	<u>(3,200)</u>	<u>14,161,704</u>
Governmental Activities Capital Assets, Net	<u><u>\$14,736,496</u></u>	<u><u>(\$329,402)</u></u>	<u><u>(\$3,200)</u></u>	<u><u>\$14,403,894</u></u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 9 – Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$146,998
Special	28,522
Vocational	13,192
Support Services:	
Pupil	10,970
Instructional Staff	21,940
Administration	29,397
Fiscal	2,580
Operation and Maintenance	33,142
Pupil Transportation	895
Extracurricular	27,019
Food Service Operations	<u>41,052</u>
Total Depreciation Expense	<u><u>\$355,707</u></u>

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School District contracted with Employers Mutual Casualty Company for all of their insurance. The types and amounts of coverage provided follows:

Building - Replacement Cost (\$2,500 deductible)	\$32,582,108
Personal Property (\$2,500 deductible)	6,105,953
Property in Open-Buildings	881,197
Property in Open-Property	21,223
Extra Expense / Business Income (\$2,500 deductible)	1,000,000
Property off premises and in transit (\$500 deductible)	250,000
Employee Benefits Each Claim (\$1,000 deductible each claim)	1,000,000
Employee Benefits Aggregate Limit (\$1,000 deductible each claim)	2,000,000
Automobile Liability Bodily Injury	
Per Occurrence (deductible \$250 collision and \$100 comprehensive)	250,000
Aggregate Per Year (deductible \$250 collision and \$100)	500,000
Uninsured Motor Vehicle Bodily Injury – Per Occurrence	250,000
Uninsured Motor Vehicle Bodily Injury - Aggregate Per Year	500,000
General Liability	
General Liability – Per Occurrence	1,000,000
General Liability - Aggregate Per Year	2,000,000
Products/Completed Operations Aggregate	2,000,000
Personal and Advertising Injury	1,000,000
Commercial Umbrella per Occurrence	1,000,000
Commercial Umbrella Aggregate	1,000,000

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 10 - Risk Management (Continued)

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

For fiscal year 2007, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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 2007, 10.68 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, 2007, 2006, and 2005 were \$125,044, \$138,040, and \$155,752 respectively; 53 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$59,171 represents the unpaid contribution for fiscal year 2007.

B. State Teachers Retirement System

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$662,320, \$691,253, and \$679,897 respectively; 82 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$4,644 made by the School District and \$19,355 made by the plan members.

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 Retirement System. As of June 30, 2007, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 12 - Postemployment Benefits (Continued)

All STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$51,305 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2006 (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$59,992.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

Note 13 - Employee Benefits

A. *Compensated Absences*

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 13 - Employee Benefits (Continued)

B. Health Care Benefits

The School District provides health and drug insurance for all eligible employees through Anthem Blue Cross/Blue Shield. The School District pays medical and drug monthly premiums for staff of \$719.07 for family coverage and \$323.39 for single coverage. The School District also provides dental insurance for all eligible employees through Medical Benefit Mutual. The School District's share of the monthly premium for dental insurance coverage is \$58.50 for family and \$19.94 for single employees. The School District provides vision insurance through Vision Plus. The School District pays \$8.84 per month for all eligible employees.

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

Note 14 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/2006	Additions	Deductions	Principal Outstanding 6/30/2007	Due Within One Year
Energy Conservation Note - 4.05%-5.75%	\$195,000	\$0	\$95,000	\$100,000	\$100,000
Classroom Facilities Refunding General Improvement Serial Bonds - 4.50% - 5.00%	6,780,000	0	490,000	6,290,000	385,000
Bond Premium	337,890	0	27,031	310,859	0
Deferred Amount on Refunding	(219,037)	0	(17,523)	(201,514)	0
School Energy Conservation Improvement General Obligation Bonds - 4.25% - 4.75%	995,000	0	55,000	940,000	55,000
Bond Premium	18,262	0	1,353	16,909	0
Total Long-Term Bonds	8,107,115	0	650,861	7,456,254	540,000
Capital Leases	31,343	0	13,499	17,844	14,186
Compensated Absences	754,723	60,772	99,369	716,126	69,937
Termination Benefits Payable	182,370	105,118	46,773	240,715	57,496
Total General Long-Term Obligations	\$9,075,551	\$165,890	\$810,502	\$8,430,939	\$681,619

General Obligation Bonds

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 14 - Long-Term Obligations (Continued)

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30, 2008	Principal	Interest	Total
	100,000	2,875	102,875

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

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

Principal and interest requirements to retire the classroom facilities improvement refunding bonds outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$385,000	\$290,463	\$675,463
2009	400,000	272,800	672,800
2010	425,000	254,238	679,238
2011	450,000	233,988	683,988
2012	475,000	212,019	687,019
2013-2017	2,805,000	685,320	3,490,320
2018-2019	1,350,000	68,500	1,418,500
Total	\$6,290,000	\$2,017,328	\$8,307,328

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 14 - Long-Term Obligations (Continued)

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

Principal and interest requirements to retire the school energy conservation improvement bonds outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$55,000	\$42,119	\$97,119
2009	55,000	39,781	94,781
2010	60,000	37,262	97,262
2011	60,000	34,562	94,562
2012	65,000	31,750	96,750
2013-2017	375,000	109,735	484,735
2018-2020	270,000	19,713	289,713
Total	<u>\$940,000</u>	<u>\$314,922</u>	<u>\$1,254,922</u>

The School District's overall legal debt margin was \$12,478,169, with an unvoted debt margin of \$208,535 at June 30, 2007.

Compensated Absences Payable

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

Termination Benefits Payable

Per the School District's negotiated agreement, the Northridge Board of Education offered to pay any teacher who agreed to retire an amount equal to one year's salary to be paid over a five year period for the teacher who is deemed a viable candidate by the School District. One fifth of this amount will be paid annually on January 2nd of each year for a five year period. To qualify for the termination benefits payable, the teacher should have completed twenty-five years of consecutive service with the School District or be sixty years of age. During fiscal year 2007, there were two teachers that agreed to participate in this plan.

Note 15 - Interfund Transactions

Interfund advances during fiscal year 2007 consisted of the bond retirement debt service fund returning an advance of \$9,987 to the general fund. The initial advance was for a principal payment on the energy conservation notes.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 16 - Jointly Governed Organizations

A. Licking Area Computer Association

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

The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and the School District does not have an equity interest in the Association. The School District's payments to LACA for computer services for fiscal year 2007 were \$107,200. Financial statements for LACA can be obtained from their fiscal agent - the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

B. Metropolitan Educational Council

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

The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. School District payments to MEC for fiscal year 2007 were \$120,330 for insurance and membership. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

C. Central Ohio Special Education Regional Resource Center

The Central Ohio Educational Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The Northridge Local School District has a cooperative agency agreement with COSERRC. There is no financial commitment by the School District for its participation in COSERRC. The governing board is composed of superintendents of member school districts in Central Ohio (which comprise sixty percent of the Board), two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, and representatives of universities. The School District has one representative on the governing board. Nothing was paid to COSERRC during fiscal year 2007. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 16 - Jointly Governed Organizations (Continued)

D. School Study Council of Ohio

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board). The Council is comprised of 70 member organizations. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and to vote. School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2007, the Board consisted of sixteen members. In fiscal year 2007, Northridge Local School District paid \$45 for registration for a seminar. Financial information may be obtained by contacting the School Study Council of Ohio at 2080 Citygate Drive, Columbus, Ohio 43219.

Note 17 - Related Organization

Alexandria Public Library

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

Note 18 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Note 19 - Set-Aside Calculations

The Northridge Local School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, Senate Bill 345 eliminated the requirement for a budget reserve; however, the remaining amount of the budget reserve funded with workers' compensation refunds or rebates may only be used to offset a budget deficit or certain other expenditures as defined in State statute. The School District used the budget reserve monies to offset their general fund budget deficit in fiscal year 2007.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 19 - Set-Aside Calculations (Continued)

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2006	(\$646,199)	\$0	\$58,147
Current year set-aside requirement	217,066	217,066	0
Current year offsets	0	(1,007,425)	0
Qualifying Disbursements	<u>(175,384)</u>	<u>(259,968)</u>	<u>(58,147)</u>
Totals	<u>(\$604,517)</u>	<u>(\$1,050,327)</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$604,517)</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

Note 20 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

As a result of a fiscal year 2006 federal questioned cost, the Ohio Department of Education determined that the School District must repay the \$111,090 of funds in question. Starting in June 2007, the School District is repaying \$10,000 per month to the Ohio Department of Education from the General Fund.

B. Litigation

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 21 - Capitalized Leases

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

The agreement provides for minimum annual lease payments as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$14,186	\$629
2009	<u>3,658</u>	<u>46</u>
Total	<u>\$17,844</u>	<u>\$675</u>

The equipment was originally capitalized in the amount of \$66,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2007 totaled \$13,499 in the Classroom Facilities Maintenance Fund.

Property under Capital Lease	\$66,000
Less: Accumulated Depreciation	<u>(6,188)</u>
Total June 30, 2007	<u>\$59,812</u>

Note 22 – Management’s Plan/Financial Condition

As of June 30, 2007, the District has a GAAP fund balance deficit of (\$110,337) for the General Fund. This is a net change of \$222,444 from the previous year. The deficit balance reported is due to the recognition of certain liabilities and related expenditures. Projected revenues and expenditures for fiscal year 2008 are consistent with 2007, indicating that the fund balance deficit could be subsequently alleviated.

The District eliminated eight educational aide positions and did not replace the Assistant Superintendent at the start of the 2007-2008 school year to assist in alleviating the deficit. Further savings resulted from re-negotiated contracts for copy machines and custodial services combined with the cancellation of non-essential contracts such as video distance learning that will further reduce expenditures. On March 3, 2008, the board resolved to closed Homer Elementary and Hartford Elementary School at the end of the 2007-2008 due to health and safety concerns for children being schooled in those deteriorating buildings. The building closures will result in the reduction of maintenance and elimination of capital improvement categories no longer required to maintain those facilities.

Note 23 – Subsequent Event

On January 9, 2008, the School District issued a current revenue anticipation note for \$681,000 which matures on June 30, 2008.

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
National School Lunch Program	044933-LLP4-2006/2007	10.555	\$ 78,180	\$ -	\$ 78,180	\$ -
Food Donation	N/A	10.550	-	22,787	-	22,787
Total U.S. Department of Agriculture			78,180	22,787	78,180	22,787
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	048033-C1S1-2007	84.010	81,166	-	73,704	-
Special Education Cluster: Special Education Grants to States	048033-6BSF-2006/2007	84.027	289,599	-	347,776	-
Special Education Preschool Grant	047977-PGS1-2007	84.173	8,737	-	8,737	-
Total Special Education Cluster			298,336	-	356,513	-
Safe and Drug-Free Schools and Communities State Grants	048033-DRS1-2006/2007	84.186	762	-	8,021	-
Innovative Educational Program Strategies	048033-C2S1-2006/2007	84.298	393	-	8,416	-
Technology Literacy Challenge Fund Grants	048033-TJS1-2006/2007	84.318	84	-	2,567	-
English Language Acquisition Grants	046938-T3S1-2007	84.365	4,872	-	4,872	-
Improving Teacher Quality State Grants	048033-TRS1-2006/2007	84.367	11,256	-	58,930	-
Total U.S. Department of Education			396,869	-	513,023	-
TOTAL FEDERAL AWARDS EXPENDITURES			\$ 475,049	\$ 22,787	\$ 591,203	\$ 22,787

The accompanying notes are an integral part of this schedule.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

NOTE C - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE D – FOOD DONATION PROGRAM

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 value of the commodities received.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northridge Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 2008. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 2007-002 through 2007-004.

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Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-004 is also a material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated February 14, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2007-001 and 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 14, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Education and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 14, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Northridge Local School District, Licking County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in finding 2007-005 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs and allowable activities or period of availability applying to its Special Education Cluster. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Northridge Local School District complied, in all material respects, with the requirements referred to above applying to its major federal program for the year ended June 30, 2007.

In a separate letter to the District's management dated February 14, 2008, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2007-005 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2007-005 described in the accompanying schedule of findings and questioned costs to be a material weakness.

The District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

February 14, 2008

NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified – Period of Availability – Allowable Cost/Activity – Activities Allowed or Unallowed
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.027 and #84.173 – Special Education Grants To States Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2007-001

Noncompliance Finding - Certification of Funds

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Treasurer is attached thereto. The Treasurer must certify that the amount required to meet such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

FINDING NUMBER 2007-001 (Continued)

Noncompliance Finding - Certification of Funds (Continued)

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

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

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

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

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

The Treasurer did not properly certify the availability of funds prior to purchase commitment of 25% of the expenditures tested and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

FINDING NUMBER 2007-001 (Continued)

Noncompliance Finding - Certification of Funds (Continued)

Official's Response:

The Treasurer will certify that the funds are or will be available prior to obligation by the District through the authorization of written purchase orders that reduce the proper budget appropriation account based on her review of purchase requisitions prior to staff making purchase commitments. The Treasurer will also implement the use of "then and now" certification when prior certification through written purchase orders is not possible.

FINDING NUMBER 2007-002

Significant Deficiency - Supporting documentation for Receipts

Extracurricular Activities

The District's Student Activity Policy, 4.27.7, requires that the following documents be completed to aid in assuring that each activity is monitored and all receipts and disbursements are accounted for:

- A Fund Purpose Statement is to be completed by the activity advisor and approved by the Board.
- Prior to the fundraiser, a Sales Projection Form is to be completed and reviewed by the Building Principal.
- A Profit/Loss Statement is to be completed at the end of the fundraiser and is reviewed by the Building Principal and Treasurer and be filed Treasurer's Office.

The required Student Activity forms were not completed for the following activities:

Vocal Music Group	Schoolmate Fundraiser
Spring Musical	Scholastic Book Fair
New York City Trip	Boxtop for Education
Battle of the Bands	Interstate Studies
AP Exams	Ski Club
Yearbook	Yearbook
Nature's Classroom	Class of 2008

As a result, alternative procedures were completed to assure the completeness and accuracy of the receipt activity associated with these projects. The lack of following the procedures in the policy could result in the activity not being properly accounted for and could result in mispostings to the accounting system and inaccurate financial reporting. Additionally, we noted a general lack of awareness of District policies by staff and individuals or parents associated with managing student activities.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

FINDING NUMBER 2007-002 (Continued)

Significant Deficiency - Supporting documentation for Receipts (Continued)

We recommend the District's Board, Superintendent and Treasurer ensure the require forms are completed and all Profit/Loss Statements are reviewed and approved upon completion of an activity. Profit/Loss Statements should contain adequate detail to enable management to fully understand the project and evaluate against the Boards approved purpose statement and assure that all funds are accounted for. All staff should be made aware of Board policies on a yearly basis, including assuring that all receipts are deposited with the Treasurer's Office on a timely basis.

Official's Response:

The Treasurer will implement procedures to ensure that each activity account advisor completes a Policy & Budget Statement, Sales Project Potential along with Profit/Loss Statement for fundraising activities to assure a proper accounting of board authorization transactions. Each activity advisor will receive detailed financial account reports on a regular basis to monitor activity. In addition, each advisor will receive training about their account along with a notebook of policies, procedures and forms to document all activity.

FINDING NUMBER 2007-003

Significant Deficiency - Ticket Accountability Forms - Athletics

In order for the District to monitor athletic gate receipts, pre-numbered tickets should be issued and ticket accountability forms should be completed at the conclusion of each event. Additionally, to document the monitoring process, the accountability forms should be reviewed and approved by the Athletic Director and Treasurer.

Although the accountability forms were completed for each event, the forms did not indicate review and approval by the Athletic Director or Treasurer.

The lack of following the procedures could result in the activity not being properly accounted for and could result in mispostings to the accounting system and inaccurate financial reporting.

Proper monitoring of the events would require that the Athletic Director and Treasurer, who are independent of the collection process, review the forms for accuracy and completeness and assure that all funds have been accounted for based on the number of tickets issued.

The Treasurer and Athletic Director should sign all ticket accountability forms to indicate they were reviewed for reasonableness and accuracy. If other individuals are involved in the reconciliation of event collections, they should also be required to sign the forms as accurate and complete. All forms should have the first and last tickets attached so that accuracy and completeness of tickets sold can be easily confirmed.

Official's Response:

The Athletic Director and Treasurer will review and sign the ticket accountability forms submitted to verify the reasonableness and accuracy of the funds collected in comparison to the first and last tickets issued during each event.

NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)

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

FINDING NUMBER 2007-004

Noncompliance Finding and Significant Deficiency/Material Weakness – Tax Levy Funds

Ohio Rev. Code Section 5705.10(A) states all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

Additionally, **Ohio Rev. Code 5705.10(B)** states all revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund; and all such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund.

The District currently has debt levies in place to retire a 2006 Classroom Facilities Serial Improvement Bond and a School Energy General Obligation bond. The levies generated \$637,801 for debt retirement in fiscal 2007 and are required to be placed in the Debt Service Fund to retire future debt requirements.

On December 31, 2006 the Treasurer posted a memo entry to reclassify and charge \$100,000 in salaries originally paid from the General Fund to the Debt Service Fund. As a result, funds legally set aside for debt service payments were used for current operations of the District.

An audit adjustment was proposed to move this activity back into the General Fund.

The District should use debt service levy funds only for the intended purposes of the levy. Transactions of this nature could compromise the debt covenant requirements of the District's bond issues and could result in the lack of sufficient funds to pay future debt requirements.

The appropriate fund balance adjustments have been made to the District's accounting records and are reflected in financial statement balances.

Official's Response:

On November 30, 2007, the Treasurer posted a fund transfer of \$100,000 from the General Fund to the Debt Service Fund to correct the improper posting of this memo transaction.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2007-005
CFDA Title and Number	Special Education-Grants to States Cluster, #84.027 & 84.173 Improving Teacher Quality State Grants, #84.367 Innovative Programs, #84.298 Safe and Drug-Free Schools, #84.186 Technology Literacy Challenge Grants, #84.318
Federal Award Number / Year	048033-6BSF-2006 047977-PGS1-2007 048033-TRS1-2006 048033-C2S1-2006 048033-DRS1-2006 048033-TJS1-2006
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Allowable Activity/Allowable Cost and Period of Availability – Noncompliance/Questioned Cost/Significant Deficiency/Material Weakness

34 C.F.R. 74.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Secretary. The Ohio Department of Education (ODE) 2006 Continuous Comprehensive Improvement Planning (CCIP) Consolidated Application for the Title VI-BA grant defined the available period as July 1, 2005 to June 30, 2006. Obligations must be liquidated prior to submitting the Final Expenditure Report, which must be filed no later than 90 days after the end of the project period. Additionally, 34 C.F.R. 76.707 states that an obligation for personal services by an employee of the State or subgrantee occurs when the services are performed.

Furthermore, Special Education, IDEA-B grant funds may only be expended for specific allowable activities or costs in accordance with 2 C.F.R. 225. 2 C.F.R. 225, Attachment A, Section (C)(1) states in part that for costs to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards, must be allocable to Federal awards under the provisions of the Circular, and must be adequately documented. Further, 2 C.F.R. 225, Attachment A, Section (C)(3), states that allocable costs are costs allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received, and may not be charged to other Federal awards to overcome fund deficiencies or to avoid restrictions imposed by law or terms of the Federal awards.

On August 11, 2006, the District remitted the unspent balances of its 2006 Special Education IDEA-B grant funding (major program) in the amount of \$44,832 and the remaining balance of the Title II Improving Teacher Quality grant of \$53,401 (non-major program) to the Licking County Educational Service Center (ESC). The invoice provided to Northridge Local School District from the ESC indicated that the amount due was for "Special Education Related Service Charges"; however, no invoice detail was included to support the type of services provided or the services the ESC intended to provide. Since no documentation was provided to support that this transaction met the above 2 C.F.R. 225 requirements, the entire \$98,233 is considered a questioned cost.

**NORTHBRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2007-005 (Continued)

Allowable Activity/Allowable Cost and Period of Availability – Noncompliance/Questioned Cost/Significant Deficiency/Material Weakness

Also, on August 11, 2006, the District remitted the unspent balances of the 2006 Title V Innovative Programs (\$8,416), 2006 Title IV-A, Safe and Drug-Free School (\$7,396), and 2006 Title II-D Technology (\$2,567) non-major federal grant programs to the Licking County Educational Service Center (ESC). The invoice provided to Northridge Local School District from the ESC indicated that the amount due was for “Special Education Related Service Charges”; however, no invoice detail was included to support the type of services provided or the services the ESC intended to provide.

Although the amounts remitted to the ESC were later amended to the District’s fiscal year 2007 ESC contract agreement, this amendment was made subsequent to the period of availability for each grant (June 30, 2006) and therefore, these transactions are also in noncompliance with period of availability compliance requirements.

By maintaining accurate supporting documentation, and expending Federal Funds only in accordance with grant requirements, the District will gain assurance that all expenditures paid using Federal grant funds are being made only for allowable activities and costs. Compliance with grant requirements can be enhanced with appropriate training of grant coordinators and detailed follow-up on grant reporting by the District’s Superintendent and Board each fiscal year.

We recommend that the District remit grant funding to service providers only for services that are allowable and allocable per the grant award. Special Education grant funds should only be utilized to provide educational services children with disabilities, as is required by the grant award. Sufficient documentation should be maintained to support all Federal expenditures and all federal expenditures should be approved by the Special Education Coordinator. We also recommend the District use grant funds only for expenditures obligated during the period of availability and that grant.

Official’s Response and Corrective Action Plan:

The Treasurer and Superintendent will meet no less than quarterly to review grant budget allocations and expenditures to ensure funds are utilized for the intended purpose of serving the needs of the students.

The above corrective action plan has been in place since July 2007. For information regarding this corrective action plan, please contact John Shepard, Superintendent or Felicia Drummey, Treasurer.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Certification of Funds	No	Reissued, 2007-001
2006-002	Expenditures Exceeding Appropriations	Partially Corrected	Reissued as a Management Letter comment.
2006-003	Appropriations Exceeding Estimated Resources	Yes	Corrected
2006-004	Questioned Costs-	No	Reissued, 2007-005
2006-005	Approval of Expenditures/Agreements – Special Education Grants	No	Reissued as a part of 2007-005.
2006-006	Questioned Cost – Allowable Costs/Allowable Activities – Special Education Grants to States	Partially Corrected	Reissued, 2007-005. In 2007, the District was required to repay the Ohio Department of Education the entire questioned cost of \$111,090 noted in finding 2006-006.



Mary Taylor, CPA
Auditor of State

NORTHRIDGE LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2008**