



Dave Yost • Auditor of State

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Licking County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Licking County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 4, 2017

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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, 2016. 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 2016 are as follows:

- Net position of governmental activities increased \$769,997.
- General revenues accounted for \$13,249,620 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$2,263,744, 15 percent of total revenues of \$15,513,364.
- Total assets of governmental activities decreased \$225,468.
- The School District had \$14,743,367, in expenses related to governmental activities; only \$2,263,744 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues in the amount of \$13,249,620 were adequate to provide for these programs.
- The School District's major fund was the General Fund. The General Fund had \$13,579,953 in revenues, \$13,454,913 in expenditures, and (\$294,854) in other financing sources (uses). The General Fund's balance decreased \$169,814.

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 Position 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, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Reporting the School District as a Whole

Statement of Net Position 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 2016?" The Statement of Net Position 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 position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, 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 Position 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 fund begins on page 11. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015.

Table 1 - Net Position

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2016</u>	<u>2015</u>	
Assets			
Current and Other Assets	\$15,726,684	\$15,796,526	(\$69,842)
Capital Assets	14,311,507	14,467,133	(155,626)
Total Assets	<u>30,038,191</u>	<u>30,263,659</u>	<u>(225,468)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	43,808	61,331	(17,523)
Pension	1,939,275	991,162	948,113
Total Deferred Outflows of Resources	<u>1,983,083</u>	<u>1,052,493</u>	<u>930,590</u>
Liabilities			
Current and Other Liabilities	1,459,102	1,440,208	18,894
Long-Term Liabilities:			
Due Within One Year	900,591	879,038	21,553
Due in More Than One Year:			
Net Pension Liability	15,268,695	13,030,037	2,238,658
Other Amounts	2,156,023	2,819,582	(663,559)
Total Liabilities	<u>19,784,411</u>	<u>18,168,865</u>	<u>1,615,546</u>
Deferred Inflows of Resources			
Property Taxes	7,048,191	7,347,069	(298,878)
Pension	957,665	2,339,208	(1,381,543)
Total Deferred Inflows of Resources	<u>8,005,856</u>	<u>9,686,277</u>	<u>(1,680,421)</u>
Net Position			
Net Investment in Capital Assets	11,723,397	11,423,345	300,052
Restricted	995,848	793,740	202,108
Unrestricted (Deficits)	<u>(8,488,238)</u>	<u>(8,756,075)</u>	<u>267,837</u>
Total Net Position	<u>\$4,231,007</u>	<u>\$3,461,010</u>	<u>\$769,997</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net pension and subtracting deferred outflows related to pension.

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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

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

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

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

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

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

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Total assets decreased \$225,468. The majority of this decrease was due to a decrease in capital assets in the amount of \$155,626, a decrease in property taxes receivable in the amount of \$151,277, and a decrease in cash and cash equivalents in the amount of \$40,216. These decreases were offset by an increase in intergovernmental receivable in the amount of \$122,483. Capital assets decreased due to the current year depreciation exceeding additions. Property taxes receivable decreased during fiscal year 2016 due a decrease in the amounts certified to be collected by the respective county auditors. The decrease in cash and cash equivalents was primarily due to the School District completing the construction of the new bus garage. The increase in intergovernmental receivable is due to E-Rate and State foundation adjustments in the amount of \$65,631 and \$46,940, respectively, subsequent fiscal year end compared to fiscal year 2015.

The increase in current and other liabilities in the amount of \$18,894 was due mainly to an increase in accounts payable in the amount of \$90,528 and increase in accrued wages and benefits payable in the amount of \$49,264. These increases were offset by a decrease in intergovernmental payable in the amount of \$69,983, a decrease in contracts payable in the amount of \$33,928, and a decrease in matured compensated absences payable in the amount of \$14,426. The increase in accounts payable was due to improvement projects during fiscal year 2016. The increase in accrued wages and benefits were a result of increases in health, dental, vision, and life insurance. The decrease in intergovernmental payable was a result of a decrease in State foundation adjustments after fiscal year end as compared to fiscal year 2015. The decrease in contracts payable was a result of the completion of the bus garage at the beginning of fiscal year 2016.

Long-term liabilities, excluding the pension liability, decreased \$642,006 primarily due to principal payments of \$590,000 for Classroom Facilities Refunding General Improvement Serial Bonds, for the principal payments of \$80,000 for School Energy Conservation Improvement General Obligation Bonds, for the principal payments of \$14,744 for the equipment loan, and principal payments in the amount of \$49,724 for the copiers capital leases. Termination benefits payable and compensated absences reflect decreases of \$40,263 and \$48,274, respectively, due to the payment of termination benefits due to the retirement of staff. The decreases were offset by the inception of a capital lease for copiers in the amount of \$209,383 during fiscal year 2016.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2016 and comparisons to fiscal year 2015.

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
 Unaudited

Table 2 - Changes in Net Position

	Governmental Activities		
	2016	2015	Change
Program Revenues:			
Charges for Services	\$1,111,638	\$969,509	\$142,129
Operating Grants and Contributions	1,148,606	1,040,155	108,451
Capital Grants and Contributions	3,500	500,000	(496,500)
Total Program Revenues	<u>2,263,744</u>	<u>2,509,664</u>	<u>(245,920)</u>
General Revenues:			
Property Taxes	7,930,370	7,541,860	388,510
Income Taxes	36,843	41,288	(4,445)
Gain on Sale of Capital Asset	0	0	0
Grants and Entitlements	5,257,769	5,048,069	209,700
Investment Earnings	4,829	4,205	624
Miscellaneous	19,809	19,212	597
Total General Revenues	<u>13,249,620</u>	<u>12,654,634</u>	<u>594,986</u>
Total Revenues	<u>15,513,364</u>	<u>15,164,298</u>	<u>349,066</u>
Program Expenses			
Instruction			
Regular	6,139,192	5,676,784	462,408
Special	1,131,210	1,026,010	105,200
Vocational	112,966	93,324	19,642
Student Intervention Services	120,796	126,498	(5,702)
Support Services			
Pupil	430,853	686,343	(255,490)
Instructional Staff	957,254	653,271	303,983
Board of Education	142,726	91,048	51,678
Administration	1,215,554	1,132,567	82,987
Fiscal	477,511	459,280	18,231
Operation and Maintenance of Plant	1,232,009	1,217,919	14,090
Pupil Transportation	1,543,785	1,576,216	(32,431)
Central	240,315	232,366	7,949
Operation of Non-Instructional Services:			
Food Service Operations	349,352	395,354	(46,002)
Community Services	0	3,053	(3,053)
Extracurricular Activities	520,865	478,220	42,645
Interest and Fiscal Charges	128,979	149,694	(20,715)
Total Program Expenses	<u>14,743,367</u>	<u>13,997,947</u>	<u>745,420</u>
<i>Change in Net Position</i>	769,997	1,166,351	(396,354)
Net Position Beginning of Year	<u>3,461,010</u>	<u>2,294,659</u>	<u>1,166,351</u>
Net Position End of Year	<u><u>\$4,231,007</u></u>	<u><u>\$3,461,010</u></u>	<u><u>\$769,997</u></u>

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Net position increased by \$769,997 in fiscal year 2016. Overall revenues reflect an increase of \$349,066 primarily due to an increase in property taxes in the amount of \$388,510, an increase in grants and entitlements in the amount of \$209,700, an increase in charges for services in the amount of \$142,129, and an increase in operating grants and contributions in the amount of \$108,451. The increase in property taxes is based upon the estimates that were provided by the respective county auditors. The increase in grants and entitlements was due to the increase in State foundation revenue during fiscal year 2016 as compared to fiscal year 2015. Charges for services increased due to an increase of open enrollment students electing to attend the School District. Operating grants and contributions increased mainly due to an increase of E-Rate monies that were received in fiscal year 2016. These increases were offset by a decrease in capital grants and contributions in the amount of \$496,500. The decrease was due to a contribution during fiscal year 2015 that was used toward the construction of a new bus garage that was completed at the beginning of fiscal year 2016.

Instruction comprises approximately 51 percent of governmental program expenses and support services make up approximately 42 percent of the program expenses of the School District.

During fiscal year 2016, the School District increased staff by five certified positions and has reclassified various staff positions from support services pupil to support services instructional staff. The School District has also seen increases in health care expenses which add to the increase in expenses.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decrease as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 51 percent of revenues for governmental activities for the School District in fiscal year 2016.

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.

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
 Unaudited

Table 3 - Governmental Activities

	2016 Total Cost of Services	2016 Net Cost of Services	2015 Total Cost of Services	2015 Net Cost of Services
Instruction:				
Regular	\$6,139,192	\$5,432,597	\$5,676,784	\$5,097,779
Special	1,131,210	454,573	1,026,010	408,544
Vocational	112,966	98,517	93,324	74,438
Student Intervention Services	120,796	120,796	126,498	126,498
Support Services:				
Pupil	430,853	395,136	686,343	623,298
Instructional Staff	957,254	916,140	653,271	604,376
Board of Education	142,726	142,726	91,048	91,048
Administration	1,215,554	1,014,753	1,132,567	1,039,831
Fiscal	477,511	382,790	459,280	346,437
Operation and Maintenance of Plant	1,232,009	1,197,999	1,217,919	1,188,747
Pupil Transportation	1,543,785	1,543,785	1,576,216	1,076,216
Central	240,315	233,115	232,366	225,166
Operation of Non-Instructional Services:				
Food Service Operations	349,352	42,699	395,354	99,517
Community Services	0	0	3,053	1,249
Extracurricular Activities	520,865	375,018	478,220	335,445
Interest and Fiscal Charges	128,979	128,979	149,694	149,694
Totals	\$14,743,367	\$12,479,623	\$13,997,947	\$11,488,283

Table 3 clearly shows the dependence upon tax revenues and State subsidies for governmental activities. For 2016, 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.

The School District's Major Fund

The School District's major fund (the General Fund) is accounted for using the modified accrual basis of accounting.

General Fund

The General Fund had total revenues of \$13,579,953, expenditures of \$13,454,913, and other financing sources (uses) in the amount of (\$294,854) which resulted in the decrease in fund balance of \$169,814. Total revenues increased by \$349,049 and total expenditures decreased by \$1,646,236. The increase in revenues was due to an increase in property taxes and an increase in State foundation and E-Rate receipts. These increases were offset by a decrease in gifts and donations as a result of the School District receiving a \$500,000 donation for the construction of the bus garage during fiscal year 2015. The decrease in expenditures was due to the School District replacing the middle school roof and building the new bus garage utilizing General Fund monies during fiscal year 2015. The new bus garage was

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
 Unaudited

completed during the beginning of fiscal year 2016; however, a majority of the expenditures occurred during the prior fiscal 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 2016, the School District amended its General Fund budget. The School District closely monitors its resources and uses and if necessary, modifies appropriations on a timely basis.

The General Fund had original revenue budget estimates of \$12,903,560. The original budget estimates for revenues were increased to a final budget amount of \$13,282,961 due to an increase in the amounts to be received for property taxes and State foundation monies for the fiscal year. Actual revenues were \$13,282,963 at June 30, 2016.

Original appropriations were \$11,975,473. The appropriations were increased to the final budget of \$13,882,161. Due the financial concerns of the School District, the original appropriations were approved at a lower amount to increase the fund balance in the General Fund; however, during the fiscal year these appropriations needed to be amended to account for the increase in normal operating expenses of the School District. Actual expenditures were \$13,334,535 and transfers out were \$504,237 at June 30, 2016.

The School District's ending unobligated fund balance was \$6,344,014 which decreased from the beginning balance of \$6,650,605 primarily due to the transfer of \$504,237 from the General Fund to the Food Service and District Managed Student Activities Special Revenue Funds to cover deficit cash balances.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had \$14,311,507 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2016 balances compared to 2015.

**Table 4 - Capital Assets at June 30, 2016
 (Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$338,545	\$338,545
Construction in Progress	0	1,326,019
Land Improvements	392,612	426,086
Buildings and Improvements	12,295,875	11,241,700
Furniture and Equipment	1,272,646	1,116,307
Vehicles	11,829	18,476
Totals	<u>\$14,311,507</u>	<u>\$14,467,133</u>

Northridge Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
 Unaudited

See Note 11 for more detailed information of the School District's capital assets.

Debt

At June 30, 2016, the School District had \$2,636,650 in Classroom Facilities Refunding Improvement Bonds (including bond premiums), School Energy Conservation Improvement Bonds (including bond premiums), Equipment Loan, and Capital Leases outstanding.

Table 5 - Outstanding Debt, at Fiscal Year End

	Governmental Activities 2016	Governmental Activities 2015
Classroom Facilities Refunding Improvement Bonds	\$1,975,000	\$2,565,000
Bond Premium	67,580	94,611
School Energy Conservation Improvement Bonds	350,000	430,000
Bond Premium	4,732	6,085
Equipment Loan	64,171	78,915
Capital Leases	175,167	15,508
Totals	\$2,636,650	\$3,190,119

See Note 17 for more detailed information of the School District's debt. The net pension liability under GASB 68 is also reported as a long-term obligation that has been previously disclosed within the management's discussion and analysis.

Economic Factors

During fiscal year 2016, the School District's net position increased by \$769,997, due mainly to the School District closely monitoring all financial activity. The School District will continue to be conservative in the area of expenses in the future. The School District continues to utilize a Board of Education Finance Committee created during fiscal year 2009. This Committee's job is to monitor the School District's financial stability and to meet once a month where it approves the monthly financial statements and reports to the Board of Education any finance related recommendations. The Ohio Department of Education released the School District from fiscal caution during fiscal year 2013. The Board of Education and Administration of the School District must continue to maintain careful financial planning and prudent fiscal management in order to preserve the opportunities of our students and staff.

According to the most recent Board-approved five year forecast, the School District is projecting deficit spending beginning in fiscal year 2017 and positive cash balances through fiscal year 2021.

Contacting the School District's Financial Management

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

Basic Financial Statements

Northridge Local School District, Ohio
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$7,468,261
Cash and Cash Equivalents in Segregated Accounts	2,619
Materials and Supplies Inventory	9,537
Inventory Held for Resale	14,256
Intergovernmental Receivable	246,493
Accrued Interest Receivable	87
Income Taxes Receivable	37,700
Prepaid Items	8,884
Accounts Receivable	8,604
Property Taxes Receivable	7,930,243
Nondepreciable Capital Assets	338,545
Depreciable Capital Assets, Net	13,972,962
<i>Total Assets</i>	<i>30,038,191</i>
Deferred Outflows of Resources	
Deferred Charge on Refunding	43,808
Pension	1,939,275
<i>Total Deferred Outflows of Resources</i>	<i>1,983,083</i>
Liabilities	
Accounts Payable	195,752
Accrued Wages and Benefits Payable	849,990
Matured Compensated Absences Payable	63,850
Accrued Interest Payable	9,209
Intergovernmental Payable	340,301
Long-Term Liabilities:	
Due Within One Year	900,591
Due In More Than One Year:	
Net Pension Liability (See Note 13)	15,268,695
Other Amounts Due in More Than One Year	2,156,023
<i>Total Liabilities</i>	<i>19,784,411</i>
Deferred Inflows of Resources	
Property Taxes	7,048,191
Pension	957,665
<i>Total Deferred Inflows of Resources</i>	<i>8,005,856</i>
Net Position	
Net Investment in Capital Assets	11,723,397
Restricted for:	
Debt Service	711,579
Classroom Facilities Maintenance	167,369
Title VI-B	55,352
Title I	34,645
Data Communications Support	14,400
District Managed Student Activities	6,289
Class Size Reduction	2,265
Other Purposes	3,949
Unrestricted	(8,488,238)
<i>Total Net Position</i>	<i>\$4,231,007</i>

See accompanying notes to the basic financial statements

Northridge Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$6,628,751	\$839,510	\$7,468,261
Cash and Cash Equivalents in Segregated Accounts	0	2,619	2,619
Materials and Supplies Inventory	8,553	984	9,537
Inventory Held for Resale	5,463	8,793	14,256
Intergovernmental Receivable	121,956	124,537	246,493
Accrued Interest Receivable	87	0	87
Income Taxes Receivable	37,700	0	37,700
Prepaid Items	8,545	339	8,884
Accounts Receivable	8,338	266	8,604
Interfund Receivable	23,584	0	23,584
Property Taxes Receivable	7,241,047	689,196	7,930,243
<i>Total Assets</i>	<u>\$14,084,024</u>	<u>\$1,666,244</u>	<u>\$15,750,268</u>
Liabilities			
Accounts Payable	\$186,322	\$9,430	\$195,752
Accrued Wages and Benefits Payable	832,311	17,679	849,990
Matured Compensated Absences Payable	63,850	0	63,850
Interfund Payable	0	23,584	23,584
Intergovernmental Payable	331,458	8,843	340,301
<i>Total Liabilities</i>	<u>1,413,941</u>	<u>59,536</u>	<u>1,473,477</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	6,435,240	612,951	7,048,191
Unavailable Revenue	343,550	146,064	489,614
<i>Total Deferred Inflows of Resources</i>	<u>6,778,790</u>	<u>759,015</u>	<u>7,537,805</u>
Fund Balances			
Nonspendable	17,098	1,323	18,421
Restricted	0	895,797	895,797
Committed	28,517	0	28,517
Assigned	1,325,402	0	1,325,402
Unassigned (Deficit)	4,520,276	(49,427)	4,470,849
<i>Total Fund Balances</i>	<u>5,891,293</u>	<u>847,693</u>	<u>6,738,986</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$14,084,024</u>	<u>\$1,666,244</u>	<u>\$15,750,268</u>

See accompanying notes to the basic financial statements

Northridge Local School District, Ohio
*Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position
June 30, 2016*

Total Governmental Fund Balances \$6,738,986

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 14,311,507

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources: unavailable revenue in the funds:

Property Taxes Receivable	250,137	
Income Taxes Receivable	2,488	
Intergovernmental Receivable	230,835	
Miscellaneous	839	
Student Fees	<u>5,315</u>	489,614

Deferred outflows of resources represent deferred charges on refundings which are not reported in the funds. 43,808

Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accrual that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (9,209)

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Bonds Payable	(2,325,000)	
Bond Premium	(72,312)	
Loan Payable	(64,171)	
Capital Leases Payable	(175,167)	
Compensated Absences	(413,964)	
Termination Benefits Payable	<u>(6,000)</u>	(3,056,614)

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

Deferred Outflows - Pension	1,939,275	
Net Pension Liability	(15,268,695)	
Deferred Inflows - Pension	<u>(957,665)</u>	<u>(14,287,085)</u>

Net Position of Governmental Activities \$4,231,007

See accompanying notes to the basic financial statements

Northridge Local School District, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$7,120,515	\$858,256	\$7,978,771
Income Taxes	34,626	0	34,626
Intergovernmental	5,608,478	701,807	6,310,285
Investment Earnings	4,829	0	4,829
Tuition and Fees	643,396	0	643,396
Extracurricular Activities	101,939	137,471	239,410
Rentals	23,422	0	23,422
Charges for Services	0	168,754	168,754
Contributions and Donations	24,052	4,945	28,997
Miscellaneous	18,696	0	18,696
<i>Total Revenues</i>	<u>13,579,953</u>	<u>1,871,233</u>	<u>15,451,186</u>
Expenditures			
Current:			
Instruction:			
Regular	5,977,928	5,564	5,983,492
Special	811,532	325,955	1,137,487
Vocational	104,671	6,250	110,921
Student Intervention Services	120,832	0	120,832
Support Services:			
Pupil	387,946	31,795	419,741
Instructional Staff	903,087	55,876	958,963
Board of Education	144,790	0	144,790
Administration	1,376,834	20,791	1,397,625
Fiscal	461,840	11,702	473,542
Operation and Maintenance of Plant	1,162,680	42,800	1,205,480
Pupil Transportation	1,515,514	0	1,515,514
Central	241,478	0	241,478
Operation of Non-Instructional Services:			
Food Service Operations	0	326,402	326,402
Extracurricular Activities	127,169	432,051	559,220
Capital Outlay	41,468	0	41,468
Debt Service:			
Principal Retirement	64,468	670,000	734,468
Interest and Fiscal Charges	12,676	129,725	142,401
<i>Total Expenditures</i>	<u>13,454,913</u>	<u>2,058,911</u>	<u>15,513,824</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>125,040</u>	<u>(187,678)</u>	<u>(62,638)</u>
Other Financing Sources (Uses)			
Transfers In	0	504,237	504,237
Inception of a Capital Lease	209,383	0	209,383
Transfers Out	(504,237)	0	(504,237)
<i>Total Other Financing Sources (Uses)</i>	<u>(294,854)</u>	<u>504,237</u>	<u>209,383</u>
<i>Net Change in Fund Balances</i>	(169,814)	316,559	146,745
<i>Fund Balances Beginning of Year</i>	<u>6,061,107</u>	<u>531,134</u>	<u>6,592,241</u>
<i>Fund Balances End of Year</i>	<u>\$5,891,293</u>	<u>\$847,693</u>	<u>\$6,738,986</u>

See accompanying notes to the basic financial statements

Northridge Local School District, Ohio
*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, 2016*

Net Change in Fund Balances - Total Governmental Funds		\$146,745
<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 depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	359,451	
Depreciation Expense	<u>(514,210)</u>	(154,759)
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. This is the amount of the loss on disposal of capital assets:		
		(867)
Revenues and expenses in the Statement of Activities that do not provide current financial resources are not reported as revenues and expenditures in the funds:		
Delinquent Taxes	(48,401)	
Income Taxes	2,217	
Grants	71,471	
Rentals	(120)	
Gifts and Donations	(878)	
Student Fees	36,776	
Miscellaneous	<u>(229)</u>	60,836
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		734,468
In the Statement of Activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		
		2,561
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	48,274	
Termination Benefits Payable	<u>40,263</u>	88,537
The amortization of premiums are reported on the Statement of Activities:		
		28,384
The inception of a capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets.		
		(209,383)
Deferred outflows of resources represent the amortization of deferred charges on refunding which are not reported in the funds.		
		(17,523)
Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
		953,392
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		
		<u>(862,394)</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$769,997</u></u>
See accompanying notes to the basic financial statements		

Northridge Local School District, Ohio
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$6,814,982	\$6,929,184	\$6,929,184	\$0
Income Tax	0	45,093	45,093	0
Intergovernmental	5,429,101	5,612,510	5,612,510	0
Investment Earnings	4,769	4,764	4,764	0
Tuition and Fees	585,971	634,971	634,971	0
Extracurricular Activities	666	170	170	0
Rentals	31,871	22,322	22,322	0
Contributions and Donations	4,000	20,552	20,552	0
Miscellaneous	32,200	13,395	13,397	2
<i>Total Revenues</i>	<u>12,903,560</u>	<u>13,282,961</u>	<u>13,282,963</u>	<u>2</u>
Expenditures				
Current:				
Instruction:				
Regular	5,641,856	5,945,164	5,945,164	0
Special	653,767	811,460	811,460	0
Vocational	107,044	104,447	104,447	0
Student Intervention Services	126,498	120,582	120,582	0
Other	43,892	26,870	26,870	0
Support Services:				
Pupil	461,647	416,687	416,687	0
Instructional Staff	509,866	911,595	911,595	0
Board of Education	100,537	179,405	179,405	0
Administration	593,057	1,146,037	1,146,037	0
Fiscal	443,793	476,527	476,527	0
Operation and Maintenance of Plant	1,360,086	1,194,882	1,194,882	0
Pupil Transportation	1,634,000	1,545,172	1,545,172	0
Central	228,032	241,687	241,687	0
Extracurricular Activities	21,398	164,589	121,200	43,389
Capital Outlay	50,000	75,396	75,396	0
Debt Service:				
Principal	0	14,744	14,744	0
Interest	0	2,680	2,680	0
<i>Total Expenditures</i>	<u>11,975,473</u>	<u>13,377,924</u>	<u>13,334,535</u>	<u>43,389</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	928,087	(94,963)	(51,572)	43,391
Other Financing Uses				
Operating Transfers Out	0	(504,237)	(504,237)	0
<i>Net Change in Fund Balance</i>	928,087	(599,200)	(555,809)	43,391
<i>Fund Balance Beginning of Year</i>	6,650,605	6,650,605	6,650,605	0
Prior Year Encumbrances Appropriated	249,218	249,218	249,218	0
<i>Fund Balance End of Year</i>	<u>\$7,827,910</u>	<u>\$6,300,623</u>	<u>\$6,344,014</u>	<u>\$43,391</u>

Northridge Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Assets	
Cash and Cash Equivalents	\$15,754
	<hr/>
<i>Total Assets</i>	<u><u>\$15,754</u></u>
 Liabilities	
Due to Students	\$15,754
	<hr/>
<i>Total Liabilities</i>	<u><u>\$15,754</u></u>

See accompanying notes to the basic financial statements

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Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 46 classified employees, 81 certificated full-time teaching personnel, and 7 administrative employees who provide services to 1,222 students and other community members. The School District currently operates four instructional buildings 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, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District is associated with two jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Metropolitan Educational Technology Association, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan, which are presented in Notes 19 and 21 to the basic financial statements. The School District is associated with a related organization, the Alexandria Public Library which is discussed in Note 20.

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 more significant of the School District's accounting policies are described below.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

A. Basis of Presentation

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

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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 has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and 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 and deferred inflows is reported as fund balance. The following is the description of the School District's major governmental fund:

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended or transferred according to the general laws of Ohio.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are 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.

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and liabilities and deferred inflows 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 reconciliations 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 outflows/inflows of resources, 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 8).

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, student fees, and accrued interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. (See Note 13)

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 is required under the Ohio Revised Code; however, this requirement is waived by the Licking County Budget Commission (Budget Commission). The Budget Commission accepts the School District's five year forecast in place of the tax budget. The certificate of estimated resources establishes a limit on the amounts that the Board of Education

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

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.

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.

During fiscal year 2016, investments were limited to repurchase agreements and State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, the School District reports investments at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates; however, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$4,829, which includes \$170 assigned from other School District funds.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, 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.

H. 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.

I. 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, collectability.

J. 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 Position, 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 acquisition 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	25-100 Years
Furniture and Equipment	10-25 Years
Vehicles	5-15 Years

K. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either eternally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. See Note 22 for additional information regarding set asides.

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 than one year of service.

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

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

On the governmental fund financial statements, compensated absences are recognized as 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 net pension liability that are paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, loans, and capital leases are recognized as a liability on the governmental fund financial statements when due.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

O. Bond Premiums

On 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. On the governmental fund statements, bond premiums are recorded in the year the bonds are issued.

P. Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as Deferred Outflows of Resources on the Statement of Net Position.

Q. Pensions

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

R. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, prepaids, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by State constitution or external resource providers. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (School District Board of Education resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandates payment of resources (from external resources providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or by State statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in 2017's appropriated budget.

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

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

S. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes music and athletic programs and local, federal, and state grants restricted to expenditure for specified purposes.

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

T. 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.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 3 - Changes in Accounting Principles

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The School District participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Accountability

The following funds had deficit fund balances as of June 30, 2016:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds:</u>	
Food Service Operations	(\$17,152)
Title VI-B	(27,028)
Class Size Reduction	(4,050)
Title I	(1,197)

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The deficits in the special revenue funds were 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 School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

Note 5 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
<u>Nonspendable:</u>			
Prepays	\$8,545	\$339	\$8,884
Materials and Supplies Inventory	8,553	984	9,537
<i>Total Nonspendable</i>	<u>17,098</u>	<u>1,323</u>	<u>18,421</u>
<u>Restricted for:</u>			
Athletics and Music	0	6,086	6,086
Local Grant Expenditures	0	2,399	2,399
Technology Improvements	0	14,400	14,400
Facility Maintenance	0	164,625	164,625
Student Improvement Program	0	256	256
Teacher Development	0	1,294	1,294
Debt Service Payments	0	706,737	706,737
<i>Total Restricted</i>	<u>0</u>	<u>895,797</u>	<u>895,797</u>
<u>Committed to:</u>			
Purchases on Order	28,517	0	28,517
<i>Total Committed</i>	<u>28,517</u>	<u>0</u>	<u>28,517</u>
<u>Assigned to:</u>			
Public School Support	55,646	0	55,646
Purchases on Order	1,269,756	0	1,269,756
<i>Total Assigned</i>	<u>1,325,402</u>	<u>0</u>	<u>1,325,402</u>
Unassigned	4,520,276	(49,427)	4,470,849
<i>Total Fund Balances</i>	<u>\$5,891,293</u>	<u>\$847,693</u>	<u>\$6,738,986</u>

Note 6 - 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)

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

- 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 for all funds (budget basis) rather than as committed or assigned fund balance for governmental fund types (GAAP basis).
4. Unrecorded cash, prepaid items, and negative cash advances to other funds are reported on the "Statement of Revenues, Expenditures, and Changes in Fund Balance (GAAP Basis), but not on budgetary basis."
5. Budgetary revenues and expenditures of the Public School Support Fund and School Store Fund are reclassified to the General Fund for GAAP Reporting.

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	(\$169,814)
Net Adjustment for Revenue Accruals	(25,463)
Net Adjustment for Expenditure Accruals	64,262
Beginning:	
Unreported cash	353
Prepaid Items	5,339
Negative cash advances to other funds	(193,265)
Ending:	
Unreported cash	(430)
Prepaid Items	(8,545)
Negative cash advances to other funds	23,584
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(7,010)
Adjustment for Encumbrances	<u>(244,820)</u>
Budget Basis	<u><u>(\$555,809)</u></u>

Note 7 - 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.

Northridge Local School District
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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 may be deposited or invested in the following securities:

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

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

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, the School District's bank balance of \$123,593 was fully insured and collateralized.

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, 2016, the School District had the following investments. There were no investments required to be reported at fair value.

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Ratings</u>	<u>Percent of Total Investments</u>
Cost:				
Repurchase Agreement	\$7,215,337	Less than 30 days	AAA	96.26%
Net Asset Value Per Share:				
STAROhio	<u>280,463</u>	Average 49 Days	AAAm	3.74%
Total	<u><u>\$7,495,800</u></u>			

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 five 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 dealing with investment custodial risk beyond the requirements of State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee. The repurchase agreement rating was by Moody's.

Concentration of Credit Risk Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The School District places no limit on the amount it may invest in any one issuer.

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected 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.

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, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2016, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reflected 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 inflow of resources for property taxes.

The amount available as an advance at June 30, 2016, was \$631,915, \$577,197 was available to the General Fund, \$6,961 was available to the Classroom Facilities Maintenance Special Revenue Fund, and \$47,757 was available to the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2015, was \$435,913, \$385,866 was available to the General Fund, \$4,899 was available to the Classroom Facilities Maintenance Special Revenue Fund, and \$45,148 was available to the Bond Retirement Debt Service Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflow of resources – unavailable revenue.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$258,908,174	94.18%	\$258,780,210	92.70%
Public Utility Personal	16,006,010	5.82%	20,378,920	7.30%
	<u>\$274,914,184</u>	<u>100.00%</u>	<u>\$279,159,130</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.20		\$43.00	

The decrease in the tax rates was due to an adjustment in the emergency levy and bond levy rates. Tax rates are adjusted according to the amount needed for the emergency levy. Bond levy rates are adjusted based upon amounts necessary for the retirement of debt service in order to collect the fixed amount approved.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 9 - Income Tax

The School District levied 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 through 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. Since the income tax levy ended on December 31, 2010, a receivable has been recorded at June 30, 2016 for delinquent income tax revenue amounts that were provided by the Ohio Department of Taxation.

Note 10 - Receivables

Receivables at June 30, 2016 consist of property taxes, income taxes, accrued interest, 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 \$250,137 as of June 30, 2016.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Ohio Department of Taxation Fuel Tax Refunds	\$354
State Foundation Adjustments	46,940
E-Rate	65,631
Medicaid Reimbursements	2,436
Title I	35,842
Title VI-B	82,380
Title II-A	6,315
Miscellaneous Refunds and Reimbursements	6,595
Total	<u>\$246,493</u>

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Nondepreciable Capital Assets				
Land	\$338,545	\$0	\$0	\$338,545
Construction in Progress	1,326,019	41,468	(1,367,487)	0
Total Capital Assets not being depreciated	<u>1,664,564</u>	<u>41,468</u>	<u>(1,367,487)</u>	<u>338,545</u>
Depreciable Capital Assets				
Land Improvements	1,017,279	0	0	1,017,279
Buildings and Improvements	15,307,738	1,367,487	(3,916)	16,671,309
Furniture and Equipment	2,974,568	317,983	(183,466)	3,109,085
Vehicles	33,235	0	0	33,235
Total at Historical Cost	<u>19,332,820</u>	<u>1,685,470</u>	<u>(187,382)</u>	<u>20,830,908</u>
Less Accumulated Depreciation				
Land Improvements	(591,193)	(33,474)	0	(624,667)
Buildings and Improvements	(4,066,038)	(313,312)	3,916	(4,375,434)
Furniture and Equipment	(1,858,261)	(160,777)	182,599	(1,836,439)
Vehicles	(14,759)	(6,647)	0	(21,406)
Total Accumulated Depreciation	<u>(6,530,251)</u>	<u>(514,210)</u>	<u>186,515</u>	<u>(6,857,946)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>12,802,569</u>	<u>1,171,260</u>	<u>(867)</u>	<u>13,972,962</u>
Governmental Activities Capital Assets, Net	<u>\$14,467,133</u>	<u>\$1,212,728</u>	<u>(\$1,368,354)</u>	<u>\$14,311,507</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$252,428
Special	31,916
Vocational	2,901
Support Services:	
Pupil	23,212
Instructional Staff	5,803
Administration	29,185
Fiscal	8,704
Operation and Maintenance of Plant	38,809
Pupil Transportation	38,372
Extracurricular	44,434
Food Service Operations	38,446
Total Depreciation Expense	<u>\$514,210</u>

Northridge Local School District
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Note 12 - Risk Management

During fiscal year 2016, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool, for insurance coverage (See Note 21). Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. Coverage provided by Ohio School Plan is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$39,692,784
Educational General Liability:	
Bodily Injury and Property Damage – Each Occurrence and Each Wrongful Act and Sexual Abuse Injury Limit – Each Sexual Abuse Offense	3,000,000
Personal and Advertising Injury – Each Offense Limit	3,000,000
Fire Damage – Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Each Accident Limit	10,000
General Aggregate Limit	5,000,000
Products-Completed Operations Aggregate Limit	3,000,000
Employers Liability – Stop Gap – Occurrence:	
Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000
Fiduciary Liability – Claims Made:	
Each Offense Limit	3,000,000
Aggregate Limit	5,000,000
Educational Legal Liability:	
Errors and Omissions Injury Limit (\$2,500 Deductible)	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000
Employment Practices Injury Limit (\$2,500 Deductible)	3,000,000
Employment Practices Injury Aggregate Limit	5,000,000
Automobile Liability (\$1,000 Comprehensive/\$1,000 collision):	
Auto Liability-Combined Single Limit	3,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000

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

For fiscal year 2016, the School District participated in the Ohio School Boards Associations Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 21). 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 Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

Northridge Local School District
Notes to the Basic Financial Statements
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Note 13 - Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – the School District’s non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. The School District contracts with a private company for transportation services. Since these services are common to the normal daily operation of a school district, these workers are members of SERS and the School District is legally responsible for making the employer contribution to SERS. This relationship is presented as a special funding situation within the accompanying financial statements. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Northridge Local School District
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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$190,267 for fiscal year 2016. Of this amount \$52,775 is reported as an intergovernmental payable. The Special Fund Situation contractually required contribution to SERS was \$89,538 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August

Northridge Local School District
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1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$673,587 for fiscal year 2016. Of this amount \$126,153 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension

Northridge Local School District
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plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS		STRS	Total
	Contributions made by School District	Special Funding Situation		
Proportion of the Net Pension Liability Prior Measurement Date	0.06214500%	0.06214500%	0.04063942%	
Proportion of the Net Pension Liability Current Measurement Date	0.06345840%	0.06345840%	0.04214519%	
Change in Proportionate Share	0.00131340%	0.00131340%	0.00150577%	
Proportionate Share of the Net Pension Liability	\$2,360,245	\$1,260,752	\$11,647,698	\$15,268,695
Pension Expense	\$168,805	\$79,437	\$614,152	\$862,394

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS		STRS	Total
	Contributions made by School District	Special Funding Situation		
Deferred Outflows of Resources				
Differences between expected and actual experience	\$39,647	\$18,658	\$530,988	\$589,293
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	39,853	18,755	337,982	396,590
School District contributions subsequent to the measurement date	190,267	89,538	673,587	953,392
Total Deferred Outflows of Resources	\$269,767	\$126,951	\$1,542,557	\$1,939,275
Deferred Inflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$81,583	\$38,392	\$837,690	\$957,665
Total Deferred Inflows of Resources	\$81,583	\$38,392	\$837,690	\$957,665

\$953,392 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS		STRS	Total
	Contributions made by School District	Special Funding Situation		
Fiscal Year Ending June 30:				
2017	(\$16,895)	(\$7,950)	(\$104,543)	(\$129,388)
2018	(16,895)	(7,950)	(104,543)	(129,388)
2019	(17,082)	(8,039)	(104,543)	(129,664)
2020	48,789	22,960	344,909	416,658
Total	<u>(\$2,083)</u>	<u>(\$979)</u>	<u>\$31,280</u>	<u>\$28,218</u>

Actuarial Assumptions - SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$3,414,296	\$2,360,245	\$1,660,601
Special Funding Situations proportionate share of the net pension liability	\$1,606,727	\$1,260,752	\$781,460

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

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Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$16,179,531	\$11,647,698	\$7,815,357

B. 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, 2016, one member of the Board of Education elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$32,560.

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The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$32,560, \$51,062, and \$33,551, respectively. The full amount has been contributed for fiscal years 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0 and \$41,713, respectively. The full amount has been contributed for 2016, 2015, and 2014.

Note 15 - 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 up to a maximum of two hundred and seventy days.

B. Health Care Benefits

The School District provides health and drug insurance for all eligible employees through United Healthcare. For fiscal year 2016, employees had two health insurance options to choose from. The two options include a health plan with a \$250 deductible and the option of establishing a Health Savings Account (HSA). For the health plan with a \$250 deductible, the School District pays medical and drug monthly premiums for staff of \$1,201.90 for family coverage and \$492.58 for single coverage. For the health plan that uses the HSA, the School District pays medical and drug monthly premiums for staff of \$938.58 for family coverage and \$384.64 for single coverage. The School District also provides dental insurance for all eligible employees through Delta Dental. The School District's share of the monthly premium for dental insurance coverage is \$69.70 for family and \$25.03 for single employees. The School District provides vision insurance through Vision Insurance Plan. The School District pays \$18.82 per month for family and \$8.32 for single employees.

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

Note 16 - Capitalized Leases

The School District has entered into a capitalized lease for copiers from Comdoc, Inc. The leases meet the criteria of a capital lease which is defined as a lease which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

The agreement provides for minimum annual lease payments as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$39,342	\$8,648
2018	41,560	6,430
2019	43,904	4,087
2020	46,379	1,612
2021	3,982	18
Total	<u>\$175,167</u>	<u>\$20,795</u>

The copier equipment was originally capitalized in the amount of \$209,383, the present value of the minimum lease payments at the inception of the lease. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2016 totaled \$49,724 in the governmental funds. There was accumulated depreciation of \$31,989 as of June 30, 2016, therefore, leaving a remaining book value of \$177,394.

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Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 17 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/2015	Additions	Deductions	Principal Outstanding 6/30/2016	Due Within One Year
Classroom Facilities Refunding General					
Improvement Serial Bonds - 4.50% - 5.00%	\$2,565,000	\$0	\$590,000	\$1,975,000	\$625,000
Bond Premium	94,611	0	27,031	67,580	0
School Energy Conservation Improvement					
General Obligation Bonds - 4.25% - 4.75%	430,000	0	80,000	350,000	80,000
Bond Premium	6,085	0	1,353	4,732	0
Total Long-Term Bonds	<u>3,095,696</u>	<u>0</u>	<u>698,384</u>	<u>2,397,312</u>	<u>705,000</u>
Equipment Loan - 3.34%	<u>78,915</u>	<u>0</u>	<u>14,744</u>	<u>64,171</u>	<u>15,251</u>
Net Pension Liability:					
SERS	3,145,123	475,874	0	3,620,997	0
STRS	9,884,914	1,762,784	0	11,647,698	0
Total Net Pension Liability	<u>13,030,037</u>	<u>2,238,658</u>	<u>0</u>	<u>15,268,695</u>	<u>0</u>
Capital Leases	15,508	209,383	49,724	175,167	39,342
Compensated Absences	462,238	68,246	116,520	413,964	134,998
Termination Benefits Payable	46,263	0	40,263	6,000	6,000
Total General Long-Term Obligations	<u>\$16,728,657</u>	<u>\$2,516,287</u>	<u>\$919,635</u>	<u>\$18,325,309</u>	<u>\$900,591</u>

Capital leases are paid from the General Fund. Sick leave benefits are paid from the fund from which the employees' salaries are paid, which includes the General Fund and Lunchroom Special Revenue Funds. The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 13.

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. 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. Issuance costs associated with the bond were \$113,607. 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 statements as deferred outflows of resources – deferred charge on refunding and is being amortized to interest expense over the life of the bonds using the straight-line method. The amount amortized for fiscal year 2016 was \$17,523.

Principal and interest requirements to retire the Classroom Facilities Improvement Refunding Bonds outstanding at June 30, 2016, are as follows:

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$625,000	\$82,344	\$707,344
2018	655,000	51,125	706,125
2019	695,000	17,375	712,375
Total	<u>\$1,975,000</u>	<u>\$150,844</u>	<u>\$2,125,844</u>

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 percent.

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 percent to 4.75 percent. 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. Issuance costs associated with the bond were \$19,615.

Principal and interest requirements to retire the school energy conservation improvement bonds outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$80,000	\$14,725	\$94,725
2018	85,000	10,806	95,806
2019	90,000	6,650	96,650
2020	95,000	2,256	97,256
Total	<u>\$350,000</u>	<u>\$34,437</u>	<u>\$384,437</u>

All long-term bond debt obligations are paid from the Debt Service Fund.

Equipment Loan – In May 2015, the School District entered into a loan agreement for \$78,915. The loan is for the purchase of weight room equipment to be repaid in 5 equal annual installments beginning May, 2016. The loan has an interest rate of 3.34 percent and will be repaid from the General Fund.

Principal and interest requirements to retire the equipment loan outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$15,251	\$2,173	\$17,424
2018	15,767	1,657	17,424
2019	16,301	1,123	17,424
2020	16,852	572	17,424
Total	<u>\$64,171</u>	<u>\$5,525</u>	<u>\$69,696</u>

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The School District's overall legal debt margin was \$23,856,059, with an unvoted debt margin of \$279,159 at June 30, 2016.

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 of \$30,000 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. Fiscal year 2013 was the final year for staff to agree to participate in this program. Termination benefits will be repaid from the General Fund.

Note 18 - Interfund Transactions

Interfund balances at June 30, 2016, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
Governmental Funds:		
General Fund	\$23,584	\$0
Other Nonmajor Governmental Funds:		
Title I	0	1,197
Titile VI-B	0	18,337
Class Size Reduction	0	4,050
Total Other Nonmajor Governmental Funds	0	23,584
Total All Funds	\$23,584	\$23,584

Interfund balances are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

During fiscal year 2016, the General Fund transferred \$26,907 to the Food Service and \$477,330 to the District Managed Student Activities Special Revenue Funds for the purpose of covering operational expenses

Note 19 - 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 over thirty entities within the boundaries of Licking, Muskingum, Fairfield, Perry, Knox, Medina, and Franklin Counties. These entities consist of public school districts, private schools, 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 school districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists.

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2016 were \$83,597. Financial statements for LACA can be obtained from LACA, 150 South Quentin Road, Newark, OH 43055.

B. Metropolitan Educational Technology Association

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. The School District owed META for their fiscal year 2016 membership as of June 30, 2016 for \$258 which was shown as a payable on the financial statements. Financial information can be obtained from David Varda, CFO, 100 Executive Drive, Marion, Ohio 43302.

Note 20 - 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 21 - Insurance Purchasing Pools

A. 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.

B. Ohio School Plan (OSP)

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

administrative services. The OSP’s business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 22 - Set-Aside Calculations

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

The following cash basis information describes the change in the fiscal year end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	216,479
Current Year Offsets	(182,797)
Qualifying Disbursements	(188,375)
Total	(\$154,693)
 Set-aside Balance Carried Forward to Future Fiscal Years	 \$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

Note 23 - Contingencies

A. Grants

The School District received 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 are 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, 2016.

B. School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this

Northridge Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

C. Litigation

The School District is currently not a party to any material legal proceedings.

Note 24 – Significant Commitments

A. Encumbrances

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

Governmental Funds:	
General Fund	\$ 244,820
Nonmajor Governmental Funds	50,530
Total Governmental Funds	<u>\$ 295,350</u>

B. Contractual Commitments

As of June 30, 2016, the School District had contractual purchase commitments for the following projects:

Contractor	Fund	Purchase Commitments	Amounts Paid as of 06/30/2016	Amounts Remaining on Contracts
Professional Pavement Services	General	\$24,950	\$0	\$24,950
Stevens Architects. LLC	General	20,000	2,408	17,592
Information Solutions Group	General	12,516	0	12,516
		<u>\$57,466</u>	<u>\$2,408</u>	<u>\$55,058</u>

**Required
Supplementary
Information**

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

	2016	2015	2014
School District Contributions:			
School District's Proportion of the Net Pension Liability	0.0634584%	0.0621450%	0.0621450%
School District's Proportionate Share of the Net Pension Liability	\$2,360,245	\$2,036,651	\$2,393,094
School District's Covered-Employee Payroll	\$1,305,311	\$1,124,560	\$890,094
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	180.82%	181.11%	268.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%
Special Funding Situation:			
School District's Proportion of the Net Pension Liability	0.0634584%	0.0621450%	0.0621450%
School District's Proportionate Share of the Net Pension Liability	\$1,260,752	\$1,108,472	\$1,302,470

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

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

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04214519%	0.04063942%	0.04063942%
School District's Proportionate Share of the Net Pension Liability	\$11,647,698	\$9,884,914	\$11,774,844
School District's Covered-Employee Payroll	\$4,401,643	\$4,220,186	\$4,151,992
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.62%	234.23%	283.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District Contributions:				
Contractually Required Contribution	\$190,267	\$172,040	\$155,864	\$123,189
Contributions in Relation to the Contractually Required Contribution	<u>(190,267)</u>	<u>(172,040)</u>	<u>(155,864)</u>	<u>(123,189)</u>
Contribution Deficiency	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,359,050	\$1,305,311	\$1,124,560	\$890,094
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%
Special Funding Situation:				
Contractually Required Contribution	\$89,538	\$80,960	\$98,415	\$103,110
Contributions in Relation to the Contractually Required Contribution	<u>(89,538)</u>	<u>(80,960)</u>	<u>(98,415)</u>	<u>(103,110)</u>
Contribution Deficiency	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$126,062	\$120,786	\$138,695	\$106,745	\$103,334	\$107,723
<u>(126,062)</u>	<u>(120,786)</u>	<u>(138,695)</u>	<u>(106,745)</u>	<u>(103,334)</u>	<u>(107,723)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$937,264	\$960,904	\$1,024,334	\$1,084,806	\$1,052,281	\$1,008,641
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%
\$93,162	\$87,465	\$100,434	\$77,298	\$74,828	\$78,006
<u>(93,162)</u>	<u>(87,465)</u>	<u>(100,434)</u>	<u>(77,298)</u>	<u>(74,828)</u>	<u>(78,006)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$673,587	\$616,230	\$548,624	\$539,759
Contributions in Relation to the Contractually Required Contribution	<u>(673,587)</u>	<u>(616,230)</u>	<u>(548,624)</u>	<u>(539,759)</u>
Contribution Deficiency	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$4,811,336	\$4,401,643	\$4,220,186	\$4,151,992
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$613,506	\$685,757	\$662,669	\$647,322	\$670,173	\$666,964
(613,506)	(685,757)	(662,669)	(647,322)	(670,173)	(666,964)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,719,277	\$5,275,054	\$5,097,454	\$4,979,400	\$5,155,177	\$5,130,492
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Licking County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 4, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 4, 2017



Dave Yost • 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
MAY 9, 2017**