



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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STATE OF OHIO  
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**INDEPENDENT ACCOUNTANTS' REPORT**

Northridge Local School District  
Montgomery County  
2011 Timber Lane  
Dayton, Ohio 45414-4528

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Northridge Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northridge Local School District, Montgomery County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

December 5, 2002

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**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$12,446,893	\$599,497	\$8,700
Cash and Cash Equivalents In Segregated Accounts		2,000	
Receivables:			
Property and Other Taxes Accounts	10,901,856	15,359	197
Intergovernmental	22,641	40,248	
Accrued Interest	87,491		
Due from Other Funds	7,190		
Prepaid Items	18,812		
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	52,637		
Inventory Held for Resale			
Inventory of Supplies and Materials	10,267		
Fixed Assets (Net, where applicable, of Accumulated Depreciation)			
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Obligations			
Total Assets and Other Debits	<u>23,563,146</u>	<u>641,942</u>	<u>8,700</u>
<b>Liabilities, Fund Equity and Other Credits</b>			
<b>Liabilities:</b>			
Accounts Payable	45,279	180,201	
Accrued Wages and Benefits Payable	168,228	43,328	
Compensated Absences Payable	130,321	27,796	
Due to Other Funds		7,190	
Intergovernmental Payable	271,614	19,368	
Deferred Revenue	10,629,018		
Due to Students			
Capital Leases Payable			
Energy Conservation Loan Payable			
Special Termination Benefit Payable			
Total Liabilities	<u>11,244,460</u>	<u>277,883</u>	
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balance:			
Reserved for Encumbrances	1,081,096	234,811	
Reserved for Inventory of Supplies and Materials	10,267		
Reserved for Property Taxes	299,156		
Reserved for Budget Stabilization	52,637		
Unreserved:			
Designated for Budget Stabilization	245,731		
Undesignated	10,629,799	129,248	8,700
Total Fund Equity and Other Credits	<u>12,318,686</u>	<u>364,059</u>	<u>8,700</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$23,563,146</u>	<u>\$641,942</u>	<u>\$8,700</u>

*See Accompanying Notes to the General Purpose Financial Statements.*



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$274,111	\$33,890			\$13,363,091
				2,000
				10,901,856
592				16,148
65,353				128,242
				87,491
				7,190
				18,812
				52,637
26,361				26,361
3,378				13,645
119,552		\$10,775,268		10,894,820
			\$1,426,851	1,426,851
<u>489,347</u>	<u>33,890</u>	<u>10,775,268</u>	<u>1,426,851</u>	<u>36,939,144</u>
	9,295			234,775
8,264				219,820
31,397			1,086,264	1,275,778
				7,190
40,777			141,550	473,309
				10,629,018
	24,595			24,595
			10,937	10,937
			60,000	60,000
			128,100	128,100
<u>80,438</u>	<u>33,890</u>		<u>1,426,851</u>	<u>13,063,522</u>
		10,775,268		10,775,268
408,909				408,909
				1,315,907
				10,267
				299,156
				52,637
				245,731
				10,767,747
<u>408,909</u>		<u>10,775,268</u>		<u>23,875,622</u>
<u>\$489,347</u>	<u>\$33,890</u>	<u>\$10,775,268</u>	<u>\$1,426,851</u>	<u>\$36,939,144</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
<b>Revenues:</b>				
Property and Other Taxes	\$9,641,281			\$9,641,281
Tuition and Fees	141,890	\$146,391		288,281
Interest	488,838			488,838
Intergovernmental	5,331,546	2,683,641	\$21,200	8,036,387
Rent	52,097			52,097
Extracurricular Activities	6,903	147,094		153,997
Miscellaneous	9,406	13,354		22,760
Total Revenues	<u>15,671,961</u>	<u>2,990,480</u>	<u>21,200</u>	<u>18,683,641</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,320,108	991,031	39,500	8,350,639
Special	1,735,222	791,554		2,526,776
Vocational	333,689	3,846		337,535
Support Services:				
Pupils	911,552	352,560		1,264,112
Instructional Staff	364,001	323,483		687,484
Board of Education	11,183			11,183
Administration	1,536,200	132,081		1,668,281
Fiscal	391,906			391,906
Business	147,082			147,082
Operation and Maintenance of Plant	1,588,283	54,694		1,642,977
Pupil Transportation	628,190	98,978		727,168
Central	51,643	9,921		61,564
Operation of Non-Instructional Services	1,190	2,635		3,825
Extracurricular Activities	401,906	88,962		490,868
Capital Outlay	514,194			514,194
Debt Service:				
Principal Retirement	66,032			66,032
Interest and Fiscal Charges	7,416			7,416
Total Expenditures	<u>16,009,797</u>	<u>2,849,745</u>	<u>39,500</u>	<u>18,899,042</u>
Excess of Revenues Over (Under) Expenditures	(337,836)	140,735	(18,300)	(215,401)
Other Financing Sources:				
Proceeds from Sale of Fixed Assets	10,618			10,618
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(327,218)	140,735	(18,300)	(204,783)
Fund Balances at Beginning of Year	12,647,070	223,324	27,000	12,897,394
Decrease in Reserve for Inventory	(1,166)			(1,166)
Fund Balances at End of Year	<u>\$12,318,686</u>	<u>\$364,059</u>	<u>\$8,700</u>	<u>\$12,691,445</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property and Other Taxes	\$10,210,305	\$10,210,305	
Tuition and Fees	131,099	131,099	
Interest	600,553	600,553	
Intergovernmental	5,389,125	5,389,125	
Rent	98,479	98,479	
Extracurricular Activities	6,972	6,972	
Miscellaneous	1,954	1,954	
Total Revenues	<u>16,438,487</u>	<u>16,438,487</u>	
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	7,252,635	7,252,635	
Special	1,826,186	1,826,186	
Vocational	388,848	388,848	
Other	234,861	234,861	
Support Services:			
Pupils	931,959	931,959	
Instructional Staff	371,674	371,674	
Board of Education	11,266	11,266	
Administration	1,683,750	1,683,750	
Fiscal	401,932	401,932	
Business	148,476	148,476	
Operation and Maintenance of Plant	1,671,649	1,671,649	
Pupil Transportation	684,395	684,395	
Central	51,643	51,643	
Operation of Non-Instructional Services	1,190	1,190	
Extracurricular Activities	412,734	412,734	
Capital Outlay	1,212,029	1,212,029	
Debt Service:			
Principal Retirement	60,000	60,000	
Interest and Fiscal Charges	8,910	8,910	
Total Expenditures	<u>17,354,137</u>	<u>17,354,137</u>	
Excess of Revenues Under Expenditures	<u>(915,650)</u>	<u>(915,650)</u>	
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	36,633	36,633	
Refund of Prior Year Expenditures	143,568	143,568	
Refund of Prior Year Receipts	(1,475)	(1,475)	
Total Other Financing Sources (Uses)	<u>178,726</u>	<u>178,726</u>	
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	<u>(736,924)</u>	<u>(736,924)</u>	
Fund Balances at Beginning of Year	11,170,896	11,170,896	
Prior Year Encumbrances Appropriated	940,405	940,405	
Fund Balances at End of Year	<u>\$11,374,377</u>	<u>\$11,374,377</u>	

See Accompanying Notes to the General Purpose Financial Statements.

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$113,839	\$113,839				
2,701,105	2,701,105		\$21,200	\$21,200	
147,094	147,094				
13,157	13,157				
<u>2,975,195</u>	<u>2,975,195</u>		<u>21,200</u>	<u>21,200</u>	
1,167,969	1,167,969		39,500	39,500	
760,357	760,357				
3,846	3,846				
406,455	406,455				
324,218	324,218				
145,134	145,134				
54,694	54,694				
96,491	96,491				
9,881	9,881				
2,764	2,764				
108,842	108,842				
<u>3,080,651</u>	<u>3,080,651</u>		<u>39,500</u>	<u>39,500</u>	
<u>(105,456)</u>	<u>(105,456)</u>		<u>(18,300)</u>	<u>(18,300)</u>	
14	14				
<u>14</u>	<u>14</u>				
(105,442)	(105,442)		(18,300)	(18,300)	
252,112	252,112				
40,076	40,076		27,000	27,000	
<u>\$186,746</u>	<u>\$186,746</u>		<u>\$8,700</u>	<u>\$8,700</u>	

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$274,039
<b>Operating Expenses:</b>	
Salaries	311,524
Fringe Benefits	124,930
Purchased Services	39,703
Materials and Supplies	23,718
Cost of Sales	352,740
Depreciation	20,057
Other	106
Total Operating Expenses	872,778
Operating Loss	(598,739)
<b>Non-Operating Revenues:</b>	
Interest	999
Federal and State Subsidies	504,564
Federal Donated Commodities	97,369
Other	18,000
Total Non-Operating Revenues	620,932
Net Income	22,193
Retained Earnings at Beginning of Year	386,716
Retained Earnings at End of Year	\$408,909

*See Accompanying Notes to the General Purpose Financial Statements.*

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Enterprise Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Revenues:			
Sales	\$273,375	\$273,375	
Interest	3,438	3,438	
Federal and State Subsidies	491,211	491,211	
Other Revenue	18,000	18,000	
Refund of Prior Year Expense	71	71	
Total Revenues	786,095	786,095	
Expenses:			
Salaries	309,682	309,682	
Fringe Benefits	126,972	126,972	
Purchased Services	41,107	41,107	
Materials and Supplies	322,690	322,690	
Other	106	106	
Capital Outlay	75,896	75,896	
Total Expenses	876,453	876,453	
Excess of Revenues Under Expenses	(90,358)	(90,358)	
Fund Equity at Beginning of Year	265,115	265,115	
Prior Year Encumbrances Appropriated	74,600	74,600	
Fund Equity at End of Year	\$249,357	\$249,357	

*See Accompanying Notes to the General Purpose Financial Statements.*

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Enterprise</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$273,446
Cash Payments to Employees for Services	(436,654)
Cash Payments to Suppliers for Goods and Services	(341,821)
Other Operating Expenses	(106)
Net Cash Used In Operating Activities	(505,135)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	491,211
Other	18,000
Net Cash Provided By Noncapital Financing Activities	509,211
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(73,117)
Cash Flows from Investing Activities:	
Interest	999
Net Decrease in Cash and Cash Equivalents	(68,042)
Cash and Cash Equivalents Beginning of Year	342,153
Cash and Cash Equivalents End of Year	\$274,111
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities:</b>	
Operating Loss	(\$598,739)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	20,057
Donated Commodities Used	76,385
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(592)
Decrease in Prepaid Items	650
Increase in Inventory Held for Resale	(1,682)
Increase in Inventory of Supplies and Materials	(1,014)
Increase in Accrued Wages and Benefits Payable	1,842
Increase in Compensated Absences Payable	2,653
Decrease in Intergovernmental Payable	(4,695)
Net Cash Used In Operating Activities	(505,135)

**Non Cash Transaction:**

During fiscal year 2002, the School District received \$97,369 in donated commodities.

*See Accompanying Notes to the General Purpose Financial Statements.*



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

**A. 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, boards, and agencies that are not legally separate from the School District. For Northridge Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in four organizations which are defined as jointly governed organizations. These organizations are the Metropolitan Dayton Educational Cooperative Association, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Instructional Technology Association, and the Miami Valley Career Technology Center. The School District also participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, an insurance purchasing pool. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting**

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

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

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

**1. Governmental Fund Types:**

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

**General Fund**

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

**Special Revenue Funds**

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

**Capital Projects Funds**

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

**2. Proprietary Fund Type:**

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Enterprise Fund**

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

**3. Fiduciary Fund Type:**

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

**4. Account Groups:**

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

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary fund.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary fund.

**B. Measurement Focus and Basis of Accounting**

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

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. The proprietary fund type operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

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 sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

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

All funds other than agency funds are legally required to be budgeted and appropriated. The legal level of control is at the fund level. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

**1. Tax Budget:**

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

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

**2. Estimated Resources:**

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

**3. Appropriations:**

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was enacted; however, the amendment was not significant. Prior to year end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. The financial statements are presented at more detail than the legal level of control. The Treasurer has been given the authority to allocate the Board's appropriations to the function and object level. Formal budgetary integration is employed as a management control device during the year for all funds other than the agency fund.

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the proprietary fund.

**5. Lapsing of Appropriations:**

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

**D. Cash and Investments**

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

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

During fiscal year 2002, the School District invested in a repurchase agreement, money market mutual funds, U.S. Treasury Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Notes, Federal National Mortgage Association Notes and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

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 2002 amounted to \$488,838, which includes \$33,025 assigned from other School District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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 is reported in the year in which services are consumed.

**G. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization.

**H. Inventory**

Inventories of governmental funds are stated at cost while inventories of the proprietary fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund consist of donated food, purchased food, and non-food supplies and are expensed when used.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Fixed Assets and Depreciation**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

**J. Compensated Absences**

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, special termination benefit, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due. Long-term obligations financed by the proprietary fund are reported as liabilities in the proprietary fund.

**L. Fund Designations**

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Designations may arise when amounts set-aside for textbooks, capital acquisition, or budget stabilization exceed the statutory required amount. The amount designated by the School District at fiscal year end is \$245,731 for budget stabilization.

**M. Fund Balance Reserves**

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

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

**N. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**O. Estimates**

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Total Columns on General Purpose Financial Statements**

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

**3. ACCOUNTABILITY**

At June 30, 2002, the disadvantaged pupil impact aid special revenue fund had a deficit fund balance of \$13,425. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**4. BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure for the proprietary fund type (GAAP basis).
4. For the proprietary fund, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
GAAP Basis	(\$327,218)	\$140,735	(\$18,300)
Revenue Accruals	936,109	(15,271)	0
Expenditure Accruals	(225,771)	181,845	0
Prepays	933	0	0
Encumbrances	(1,120,977)	(412,751)	0
Budget Basis	(\$736,924)	(\$105,442)	(\$18,300)

**Net Income/Excess of Revenues Under Expenses  
Proprietary Fund Type**

	<b>Enterprise</b>
GAAP Basis	\$22,193
Revenue Accruals	(11,507)
Expense Accruals	(46,260)
Materials and Supplies Inventory	1,014
Inventory Held for Resale	22,666
Encumbrances	(24,754)
Prepays	(650)
Depreciation	20,057
Acquisition of Capital Assets	(73,117)
Budget Basis	(\$90,358)

**5. DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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 pass book accounts.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$762,645 and the bank balance was \$1,468,454. Of the bank balance:

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

1. \$272,538 was covered by federal depository insurance; and
2. \$1,195,916 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio and money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>	<b>Unclassified</b>	<b>Carrying/Fair Value</b>
Repurchase Agreement	\$0	\$0	\$1,059,004	\$0	\$1,059,004
Money Market Mutual Funds	0	0	0	659,205	659,205
U.S. Treasury Notes	500,000	2,290,296	0	0	2,790,296
Federal Farm Credit Bank Notes	0	531,367	0	0	531,367
Federal Home Loan Bank Bonds (FHLB)	500,000	1,407,113	0	0	1,907,113
Federal Home Loan Mortgage Notes	0	805,189	0	0	805,189
Federal National Mortgage Association Notes (FNMA)	0	1,247,492	0	0	1,247,492
STAR Ohio	0	0	0	3,655,417	3,655,417
<b>Total</b>	<b>\$1,000,000</b>	<b>\$6,281,457</b>	<b>\$1,059,004</b>	<b>\$4,314,622</b>	<b>\$12,655,083</b>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$13,417,728	\$0
Investments:		
Repurchase Agreement	(1,059,004)	1,059,004
Money Market Mutual Funds	(659,205)	659,205
U.S. Treasury Notes	(2,790,296)	2,790,296
Federal Farm Credit Bank Notes	(531,367)	531,367
Federal Home Loan Bank Bonds (FHLB)	(1,907,113)	1,907,113
Federal Home Loan Mortgage Notes	(805,189)	805,189
Federal National Mortgage Association Notes (FNMA)	(1,247,492)	1,247,492
STAR Ohio	(3,655,417)	3,655,417
GASB Statement No. 3	\$762,645	\$12,655,083

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien on December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**6. PROPERTY TAXES (Continued)**

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

The assessed values upon which fiscal year 2002 taxes were collected are:

	<b>2001 Second- Half Collections</b>		<b>2002 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$145,948,060	57.86%	\$146,483,260	58.22%
Public Utility	8,344,810	3.31	6,536,800	2.60
Tangible Personal Property	97,934,999	38.83	98,583,208	39.18
Total Assessed Value	<u>\$252,227,869</u>	<u>100.00%</u>	<u>\$251,603,268</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$52.10		\$52.10	

The School District receives taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was \$299,156 in the general fund.

**7. RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, tuition, and student fees), intergovernmental grants, and interest. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amounts</b>
General Fund	
Training Reimbursement	\$2,136
Transportation Reimbursement	13,696
Medicaid Reimbursement	6,809
Total General Fund	<u>22,641</u>
Special Revenue Funds	
Tuition and Fees	36,236
Smart Grant	4,012
Total Special Revenue Funds	<u>40,248</u>
Enterprise Fund	
Federal and State Subsidies	65,353
Total Intergovernmental Receivables	<u><u>\$128,242</u></u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**8. FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$ 335,623
Less Accumulated Depreciation	<u>(216,071)</u>
Net Fixed Assets	<u>\$ 119,552</u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<b>Asset Category</b>	<b>Balance at 6/30/01</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 6/30/02</b>
Land and Improvements	\$407,020	\$0	\$0	\$407,020
Buildings and Improvements	2,046,208	275,216	0	2,321,424
Furniture, Fixtures and Equipment	6,810,763	387,532	157,052	7,041,243
Vehicles	928,981	76,600	0	1,005,581
Total General Fixed Assets	<u>\$10,192,972</u>	<u>\$739,348</u>	<u>\$157,052</u>	<u>\$10,775,268</u>

**9. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Utica/Elkins, Phelan Insurance Agency, and Nationwide/Harcum Hyre Insurance for property, fleet insurance and liability insurance. Coverage includes:

Building and Contents-replacement cost	\$43,117,948
Boiler and Machinery	No limit
Crime Insurance	25,000
Automobile Liability (\$0 deductible)	2,000,000
Uninsured Motorists (\$0 deductible)	500,000
General Liability	
Per occurrence	4,000,000
Total per year	8,000,000

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



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "Equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control, and actuarial services to the GRP.

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to cover health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations.

The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS's Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$153,003, \$92,421, and \$95,565, respectively; 52.57 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$72,561 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement benefits, disability benefits, annual cost-of-living adjustments, and death and survivor benefits, to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$805,790, \$843,327, and \$512,082, respectively; 83.26 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$134,908 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, three members of the Board of Education have elected Social Security. The remaining members have elected SERS. The Board's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll.

For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$381,690 for fiscal year 2002.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$271,809.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Medical, Vision, Dental, and Life Insurance**

The School District provides medical insurance through United Health Care, vision insurance through Vision Service Plan and provides dental and life insurance to most employees through CoreSource.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**12. EMPLOYEE BENEFITS (Continued)**

**C. Special Termination Benefit**

For the past four years, Northridge Local School District has offered a special termination benefit to classified and certified employees the first year that they become eligible to retire. Both certified and classified contracts run from August 1, 1999, to July 31, 2002. They offer a special termination benefit. The benefit for certified employees is \$20,000, payable the year after retirement, during the month of January. Individuals must meet the STRS retirement guidelines to receive the bonus. For classified employees, the benefit varies depending upon the position they hold within the School District. The benefit is paid during the month of January following the retirement date. Individuals must meet the SERS retirement guidelines to receive the bonus. The amount payable for both certified and classified at June 30, 2002, was \$128,100.

**13. CAPITAL LEASES - LESSEE DISCLOSURE**

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

General fixed assets consisting of two copiers and musical equipment have been capitalized in the general fixed assets account group in the amount of \$433,286. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$6,032 in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

<b>Fiscal Year Ending June 30,</b>	<b>GLTOAG</b>
2003	\$4,808
2004	4,808
2005	2,131
2006	618
Total	12,365
Less: Amount Representing Interest	(1,428)
Present Value of Net Minimum Lease Payments	\$10,937

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<b>Amount Outstanding 6/30/01</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/02</b>
Energy Conservation Loan 1993 4.95%	\$120,000	\$0	\$60,000	\$60,000
Capital Leases	16,969	0	6,032	10,937
Intergovernmental Payable	122,226	141,550	122,226	141,550
Special Termination Benefit Payable	145,000	128,100	145,000	128,100
Compensated Absences	1,237,030	0	150,766	1,086,264
<b>Total General Long-Term Obligations</b>	<b>\$1,641,225</b>	<b>\$ 269,650</b>	<b>\$ 484,024</b>	<b>\$1,426,851</b>

**Energy Conservation Loan** - On June 15, 1993, Northridge Local School District issued \$500,000 in an unvoted general obligation loan for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The loan was issued for a ten year period with final maturity during fiscal year 2003. The loan will be retired from the general fund.

Capital leases will be paid from the general fund. The intergovernmental payable represents the contractually required pension contribution and will be paid from the funds from which the employees' salaries are paid. The special termination benefit and compensated absences will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$22,644,294, the energy conservation loan debt margin was \$2,204,429, and the unvoted debt margin of \$251,603 at June 30, 2002.

Principal and interest requirements to retire the energy conservation loan are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$60,000	\$2,970	\$62,970

**15. JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Dayton Educational Cooperative Association** - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$59,746 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Southwestern Ohio Educational Purchasing Council** -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2002, the School District paid \$12,052 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state of local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2002, the School District paid \$143,603 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**Miami Valley Career Technology Center** - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from the Miami County Educational Service Center. The School District did not contribute financially to this organization during fiscal year 2002. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**16. INSURANCE PURCHASING POOL**

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

**17. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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 amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set-aside for this purpose.

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

	<b>Textbooks/ Instructional Materials</b>	<b>Capital Acquisition</b>	<b>Budget Stabilization</b>
Set-aside Reserve Balance as of June 30, 2001	\$107,533	\$103,415	\$52,637
Current Year Set-aside Requirement	251,972	251,972	0
Qualifying Disbursements	(362,082)	(357,964)	0
Totals	<u>(\$2,577)</u>	<u>(\$2,577)</u>	<u>\$52,637</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$2,577)</u>	<u>(\$2,577)</u>	<u>\$52,637</u>
Set-aside Reserve Balance at June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$52,637</u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$52,637.

The School District had qualifying disbursements during the fiscal year that reduced textbook/instructional materials and capital acquisition set-asides below zero. The extra amount for textbook/instructional materials may be used to reduce the set-aside requirements in future fiscal years however, the negative amount for capital acquisition set-aside cannot be carried forward.

**18. INTERFUND TRANSACTIONS**

The general fund has "due from other funds" in the amount of \$7,190 and the miscellaneous federal grants special revenue fund had "due to other funds" in the amount of \$7,190 at June 30, 2002.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**19. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

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

**20. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**21. CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had contractual commitments as follows:

Vendor	Project	Contract Remaining Amount
Triad Insulation	Window and Door Replacement	\$ 31,700
LJB Inc.	Window and Door Replacement	13,550
O.K.I. Window Systems, Inc.	Window and Door Replacement	604,000

**22. SUBSEQUENT EVENTS**

The Board issued a bond anticipation note in the amount of \$7,380,000 on December 18, 2002, which matures on June 5, 2003.



**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>United States Department of Agriculture</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$83,224		\$76,385
National School Breakfast Program	05-PU-01 05-PU-02	10.553	\$26,465		\$26,465	
			<u>82,399</u>		<u>82,399</u>	
Total National School Breakfast Program			<u>108,864</u>		<u>108,864</u>	
National School Lunch Program	LL-P1-01 LL-P4-01 LL-P4-02	10.555	33,907		33,907	
			51,979		51,979	
			<u>262,372</u>		<u>262,372</u>	
Total National School Lunch Program			<u>348,258</u>		<u>348,258</u>	
Total United States Department of Agriculture - Nutrition Cluster			<u>457,122</u>	83,224	<u>457,122</u>	76,385
<b>United States Department of Education</b>						
(Passed through Ohio Department of Education)						
Title I - Education Consolidation Improvement Act	C1-S1-01 C1-S1-02	84.010			109,948	
			861,018		<u>740,841</u>	
Total Title I			<u>861,018</u>		<u>850,789</u>	
Special Education Cluster:						
Title VI-B - Education of Handicapped Act	6B-SF-02	84.027	192,929		192,929	
Special Education Preschool Grant	PG-S1-02	84.173	5,161		5,161	
Total Special Education Cluster			<u>198,090</u>		<u>198,090</u>	
Drug Free Schools	DR-S1-02	84.186	8,603		8,603	
Even Start Family Literacy	EV-S6-01 EV-S6-02	84.213			4,528	
			164,175		<u>163,869</u>	
Total Even Start Family Literacy			<u>164,175</u>		<u>168,397</u>	
Math Science Subsidy	MS-S1-02	84.281	19,592		19,447	
Innovative Education Program	C2-S1-02	84.298	14,590		14,590	
Class Size Reduction Subsidy	CR-S1-02	84.340	123,796		<u>123,742</u>	
Total United States Department of Education			<u>1,389,864</u>		<u>1,383,658</u>	
<b>United States Department of Health &amp; Human Services</b>						
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medicaid	N/A	93.778	48,192		48,192	
(Passed through Montgomery County Educational Service Center)						
Medicaid	N/A	93.778	3,843		3,843	
Total Medicaid			<u>52,035</u>		<u>52,035</u>	
<b>Total Federal Programs</b>			<u>\$1,899,021</u>	<u>\$83,224</u>	<u>\$1,892,815</u>	<u>\$76,385</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 2002, the District had food commodities inventory in the amount of \$20,984.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Northridge Local School District  
Montgomery County  
2011 Timber Lane  
Dayton, Ohio 45414-4528

To the Board of Education:

We have audited the financial statements of Northridge Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 5, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 5, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 5, 2002.

Northridge Local School District  
Montgomery County  
Report of Independent Accountants on Compliance and  
On Internal Control Required by *Governmental Auditing Standards*.  
Page 2

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

December 5, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Northridge Local School District  
Montgomery County  
2011 Timber Lane  
Dayton, Ohio 45414-4528

To the Board of Education:

**Compliance**

We have audited the compliance of Northridge Local School District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control Over Compliance**

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

**Internal Control Over Compliance  
(Continued)**

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

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Jim Petro**  
Auditor of State

December 5, 2002

**NORTHRIDGE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**NORTHRIDGE LOCAL SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 9, 2003**