



**Auditor of State
Betty Montgomery**

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northridge Local School District, as of June 30, 2004, and the respective changes in financial position and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2005, 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 Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

January 31, 2005

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The discussion and analysis of Northridge Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets decreased \$1,480,295, which represents a 10.9 percent decrease from 2003.
- General revenues accounted for \$15,561,810 in revenue or 76.6 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, interest, and contributions, and capital grants, interest, and contributions accounted for \$4,744,631 or 23.4 percent of total revenues of \$20,306,441.
- Total assets of governmental activities increased by \$1,800,521. Of this, net capital assets, increased by \$4,955,531.
- The School District had \$21,786,736 in expenses; only \$4,744,631 of these expenses was offset by program specific charges for services, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$15,561,810 plus net assets at the beginning of the year of \$13,504,133 provided for these programs.
- The General Fund had \$15,039,706 in revenues and \$17,276,722 in expenditures. The General Fund's balance decreased \$2,237,016 over 2003. A decrease in revenues had been anticipated by the School District due to a major plant relocating out of state. The plant represented a large percentage of personal tangible taxes that the School District receives. The School District also made a large purchase reflected in the capital expenditures for the year. The School District purchased land adjacent to the High School, which included a truck terminal and a small maintenance building; this purchase was part of the building facilities plan.

Using the Basic Financial Statements

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

**Table 1
Net Assets
Governmental Activities**

	<u>2003</u>	<u>2004</u>
Assets		
Current and Other Assets	\$31,563,426	\$28,408,416
Capital Assets	3,789,494	8,745,025
Total Assets	<u>35,352,920</u>	<u>37,153,441</u>
Liabilities		
Long-Term Liabilities	9,592,367	13,950,952
Other Liabilities	12,256,420	11,178,651
Total Liabilities	<u>21,848,787</u>	<u>25,129,603</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,544,232	1,722,386
Restricted	462,816	1,090,319
Unrestricted	9,497,085	9,211,133
Total Net Assets	<u>\$13,504,133</u>	<u>\$12,023,838</u>

Total assets of governmental activities increased by \$1,800,521 as net capital assets increased by \$4,955,531. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$285,952, mainly because the School District spent more in fiscal year 2004 than was taken in for revenue. Liabilities exceeded the prior year by \$3,280,816, whereas assets only increased \$1,800,521.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Table 2 shows the changes in net assets for the fiscal year 2003 and 2004.

**Table 2
Changes in Net Assets**

	<u>2003</u>	<u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	\$740,591	\$646,928
Operating Grants, Interest, and Contributions	4,344,272	4,011,911
Capital Grants, Interest, and Contributions	159,434	85,792
Total Program Revenues	<u>5,244,297</u>	<u>4,744,631</u>
General Revenues:		
Property Taxes	9,632,925	9,831,165
Grants and Entitlements not Restricted to Specific Programs	4,701,013	5,490,057
Investment Earnings	358,216	105,214
Gifts and Donations	0	529
Miscellaneous	8,740	134,845
Total General Revenues	<u>14,700,894</u>	<u>15,561,810</u>
Total Revenues	<u>19,945,191</u>	<u>20,306,441</u>
Program Expenses		
Instruction:		
Regular	9,242,742	9,434,812
Special	2,622,415	2,681,590
Vocational	403,215	422,259
Support Services:		
Pupils	1,424,811	1,361,836
Instructional Staff	932,818	861,189
Board of Education	13,822	16,595
Administration	1,768,482	1,835,053
Fiscal	366,302	400,637
Business	161,544	174,067
Operation and Maintenance of Plant	1,531,699	1,756,747
Pupil Transportation	881,174	959,027
Central	48,854	51,843
Operation of Non-Instructional Services	883,715	940,735
Extracurricular Activities	522,569	540,277
Intergovernmental	110,6342	0
Interest and Fiscal Charges	149,921	350,069
Total Expenses	<u>21,064,715</u>	<u>21,786,736</u>
Decrease in Net Assets	<u>(\$1,119,524)</u>	<u>(\$1,480,295)</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 48.4 percent of revenues for governmental activities for the Northridge Local School District for fiscal year 2004.

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

During fiscal year 2004, the School District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of the \$4,500,000 QZAB project. Lease payments begin on November 19, 2004 with \$30,600 in interest due annually. On November 19, 2018, the \$4,500,000 principal is due, along with another \$30,600 in interest. No payments were made during fiscal year 2004.

Instruction comprises 57.5 percent of School District expenses. Support services expenses make up 34.0 percent of the expenses.

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

Table 3

	Total Cost of Services 2003	Net Cost of Services 2003	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	12,268,372	9,460,332	12,538,661	9,912,918
Support Services:				
Pupils	1,424,811	1,100,459	1,361,836	1,061,427
Instructional Staff	932,818	430,883	861,189	431,076
Board of Education	13,822	13,822	16,595	16,595
Administration	1,768,482	1,626,633	1,835,053	1,701,581
Fiscal	366,302	366,302	400,637	400,637
Business	161,544	161,544	174,067	174,067
Operation and Maintenance of Plant	1,531,699	1,433,003	1,756,747	1,656,825
Pupil Transportation	881,174	492,213	959,027	755,949
Central	48,854	30,953	51,843	43,963
Operation of Non-Instructional Services	883,715	17,233	940,735	78,111
Extracurricular Activities	522,569	426,488	540,277	458,887
Intergovernmental	110,632	110,632	0	0
Interest and Fiscal Charges	149,921	149,921	350,069	350,069
Total Expenses	\$21,064,715	\$15,820,418	\$21,786,736	\$17,042,105

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the School District.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular activities includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Intergovernmental includes on-behalf expenditures for the benefit of another local government.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,864,149 and expenditures of \$26,865,878. The net change in fund balances for the year in the General Fund and the Building Fund were (\$2,237,016) and \$556,601, respectively.

The net change in fund balance was caused in the General Fund by increases in expenditures, particularly operation and maintenance of plant. The Building Fund had unspent debt proceeds, and the School District received the revenue of \$4.5 million dollars from the proceeds of a lease purchase agreement. These monies account for the significant increase to the Building Fund balance.

General Fund Budgeting Highlights

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

During the course of the fiscal year 2004, the School District amended its General Fund budget one time, which resulted in appropriations decreasing \$3,504. Permanent appropriations were adopted in the month of October.

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

For the General Fund, the budget basis revenue did not differ from the original budgeted estimates.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Capital Assets

At the end of the fiscal year 2004, the School District had \$8,745,025 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2004 balances compared to fiscal year 2003.

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

	2003	2004
Land	\$300,675	\$1,050,675
Construction in Progress	1,287,830	3,318,272
Land Improvements	344,053	269,808
Buildings and Improvements	889,512	2,818,898
Furniture and Equipment	686,663	1,027,673
Vehicles	280,761	259,699
Totals	\$3,789,494	\$8,745,025

Overall capital assets increased \$4,955,531 from fiscal year 2003 to fiscal year 2004. Increases in capital assets (primarily construction in progress, building and improvements, and furniture and equipment) were offset by depreciation expense for the year. The construction in progress relates to the various school improvements and lease purchase agreement for a building. The majority of equipment purchased during fiscal year 2004 was for new computer equipment throughout the School District.

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

Debt Administration

At June 30, 2004, the School District had \$8,040,000 in bonds and loans outstanding, as well as \$45,447 of accretion on capital appreciation bonds outstanding. \$295,000 represents the amount of bonds and loans due within one year. The School District also had capital leases payable at fiscal year-end of \$4,502,588.

Table 5 summarizes the debt outstanding:

**(Table 5)
Outstanding Debt, at Year End
Governmental Activities**

	2003	2004
Energy Conservation Loan	\$947,145	\$855,000
School Improvement Bonds	7,380,000	7,185,000
Accretion on Capital Appreciation Bonds	8,051	45,447
Totals	\$8,335,196	\$8,085,447

At June 30, 2004, the School District's overall legal debt margin was \$14,556,226, the energy conservation loan debt margin was \$1,310,711, and the unvoted debt margin was \$240,635. For more information on debt administration, refer to Note 15 of the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Current Financial Issues and Concerns

The School District is proud of its community support of the public schools. The building facilities project as well as the QZAB projects in progress will help keep the School District facilities in excellent physical condition and allow the Board of Education and administration to provide a stable and safe environment for students to learn. The Board of Education recognizes the expectations of the community and has allocated the resources to meet these expectations. The School District had a major company move its operations out of State, and several small companies relocate to other counties in the area. The full impact of the lost revenues will be felt in fiscal year 2005. Along with the decline in the industrial tax base, the School District is experiencing a declining enrollment. These two factors along with State budget cuts contributed to the decline in revenue from fiscal year 2003 to fiscal year 2004. The Board of Education and administration will be carefully weighing their options in order to prudently provide the necessary resources for student success now and in the future. The School District will be closely watching the five-year forecast and updating it when new information becomes available.

In comparison to other school districts in the state, the Northridge Local School District would not be considered a School District suffering from low wealth. Therefore, the Northridge Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the court, the State may require redistribution of commercial and industrial property tax. With 80 percent of the School District's local taxes (including Tangible personal property tax) coming from business and industry, this could have a significant negative impact on the School District's residential taxpayers.

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

Contacting the School District's Financial Management

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2004**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$15,860,368
Cash and Cash Equivalents in Segregated Accounts	2,000
Accrued Interest Receivable	30,039
Intergovernmental Receivable	270,907
Accounts Receivable	7,960
Prepaid Items	61,030
Materials and Supplies Inventory	37,384
Property Taxes Receivable	10,198,443
Cash and Cash Equivalents with Escrow Agents	1,818,536
Deferred Charges	121,749
Nondepreciable Capital Assets	4,368,947
Depreciable Capital Assets, Net	4,376,078
Total Assets	<u>37,153,441</u>
Liabilities:	
Accounts Payable	127,548
Contracts Payable	787,064
Accrued Wages and Benefits Payable	941,300
Matured Compensated Absences Payable	69,044
Accrued Interest Payable	42,618
Retainage Payable	119,181
Intergovernmental Payable	459,480
Deferred Revenue	8,632,416
Long-Term Liabilities:	
Due Within One Year	405,995
Due in More Than One Year	13,544,957
Total Liabilities	<u>25,129,603</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,722,386
Restricted for:	
Debt Service	115,497
Capital Outlay	533,924
Other Purposes	388,261
Set-Asides	52,637
Unrestricted	9,211,133
Total Net Assets	<u><u>\$12,023,838</u></u>

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Interest, and Contributions	Capital Grants, Interest, and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$9,434,812	\$141,473	\$1,096,736	\$74,695	(\$8,121,908)
Special	2,681,590	4,450	1,278,287		(1,398,853)
Vocational	422,259		30,102		(392,157)
Support Services:					
Pupils	1,361,836	10,055	290,354		(1,061,427)
Instructional Staff	861,189	9,644	420,469		(431,076)
Board of Education	16,595				(16,595)
Administration	1,835,053	10,933	122,539		(1,701,581)
Fiscal	400,637				(400,637)
Business	174,067				(174,067)
Operation and Maintenance of Plant	1,756,747	63,743	36,179		(1,656,825)
Pupil Transportation	959,027	119,892	72,089	11,097	(755,949)
Central	51,843		7,880		(43,963)
Operation of Non-Instructional Services					
Services	940,735	215,927	646,697		(78,111)
Extracurricular Activities	540,277	70,811	10,579		(458,887)
Interest and Fiscal Charges	350,069				(350,069)
Total Governmental Activities	\$21,786,736	\$646,928	\$4,011,911	\$85,792	(17,042,105)

General Revenues:

Property Taxes Levied for:

General Purposes	9,367,416
Debt Service	463,749
Grants and Entitlements not Restricted to Specific Programs	5,490,057
Investment Earnings	105,214
Gifts and Donations	529
Miscellaneous	134,845
Total General Revenues	15,561,810

Change in Net Assets (1,480,295)

Net Assets Beginning of Year 13,504,133

Net Assets End of Year \$12,023,838

See Accompanying Notes to the Basic Financial Statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$10,083,661	\$5,116,330	\$607,740	\$15,807,731
Cash and Cash Equivalents In Segregated Accounts			2,000	2,000
Cash and Cash Equivalents with Escrow Agents		1,818,536		1,818,536
Receivables:				
Property Taxes	9,692,048		506,395	10,198,443
Accounts	7,691		269	7,960
Intergovernmental	66,618		204,289	270,907
Accrued Interest	18,836	11,203		30,039
Materials and Supplies Inventory	13,239		24,145	37,384
Prepaid Items	59,892	304	834	61,030
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	52,637			52,637
Total Assets	<u>19,994,622</u>	<u>6,946,373</u>	<u>1,345,672</u>	<u>28,286,667</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	74,829	38,693	14,026	127,548
Contracts Payable		787,064		787,064
Retainage Payable		119,181		119,181
Accrued Wages and Benefits Payable	804,075		137,225	941,300
Intergovernmental Payable	246,587		34,042	280,629
Deferred Revenue	9,460,301	2,361	515,862	9,978,524
Matured Compensated Absences Payable	69,044			69,044
Total Liabilities	<u>10,654,836</u>	<u>947,299</u>	<u>701,155</u>	<u>12,303,290</u>
Fund Balances:				
Reserved for Encumbrances	432,413	5,094,712	139,136	5,666,261
Reserved for Property Taxes	238,159		17,884	256,043
Reserved for Budget Stabilization	52,637			52,637
Unreserved, Undesignated, Reported in:				
General Fund	8,616,577			8,616,577
Special Revenue Funds			400,174	400,174
Debt Service Fund			66,227	66,227
Capital Projects Funds		904,362	21,096	925,458
Total Fund Balances	<u>9,339,786</u>	<u>5,999,074</u>	<u>644,517</u>	<u>15,983,377</u>
Total Liabilities and Fund Balances	<u>\$19,994,622</u>	<u>\$6,946,373</u>	<u>\$1,345,672</u>	<u>\$28,286,667</u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004**

Total Governmental Fund Balances		\$15,983,377
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Some assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	\$1,050,675	
Construction in Progress	3,318,272	
Land Improvements	1,095,031	
Buildings and Improvements	9,392,957	
Furniture and Equipment	5,558,855	
Vehicles	843,547	
Accumulated Depreciation	<u>(12,514,312)</u>	
		8,745,025
<p>Long-term assets are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>		
Property Taxes	1,309,984	
Interest	8,773	
Intergovernmental Grants	<u>27,351</u>	
		1,346,108
<p>Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.</p>		
		121,749
<p>Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.</p>		
		(178,851)
<p>Some liabilities, including bonds and loans payable, accrued interest payable, and capital leases are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:</p>		
Accrued Interest Payable	(42,618)	
Energy Conservation Loan	(855,000)	
Premium on Bonds	(122,979)	
Accretion of Capital Appreciation Bonds	(45,447)	
General Obligation Bonds	(7,185,000)	
Capital Leases	(4,502,588)	
Compensated Absences	<u>(1,239,938)</u>	
		<u>(13,993,570)</u>
Net Assets of Governmental Activities		<u><u>\$12,023,838</u></u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property Taxes	\$8,938,286		\$441,257	\$9,379,543
Intergovernmental	5,730,988		3,716,097	9,447,085
Interest	119,336	\$78,637	1,264	199,237
Tuition and Fees	184,403		118,000	302,403
Extracurricular Activities	4,850		95,332	100,182
Charges for Services			222,873	222,873
Rent	53,337			53,337
Gifts and Donations	529		24,115	24,644
Miscellaneous	7,977	6,200	120,668	134,845
Total Revenues	<u>15,039,706</u>	<u>84,837</u>	<u>4,739,606</u>	<u>19,864,149</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,513,269		1,154,650	8,667,919
Special	1,745,186		1,015,983	2,761,169
Vocational	422,178			422,178
Support Services:				
Pupils	1,002,710		320,961	1,323,671
Instructional Staff	394,160		399,100	793,260
Board of Education	16,463			16,463
Administration	1,656,197		143,951	1,800,148
Fiscal	384,581		4,750	389,331
Business	170,736			170,736
Operation and Maintenance of Plant	1,721,359		52,425	1,773,784
Pupil Transportation	776,638		100,164	876,802
Central	37,542		14,301	51,843
Operation of Non-Instructional Services	2,269		877,358	879,627
Extracurricular Activities	416,214		99,088	515,302
Capital Outlay	891,002	4,028,236	914,506	5,833,744
Debt Service:				
Principal Retirement	96,476		195,000	291,476
Interest and Fiscal Charges	29,742		268,683	298,425
Total Expenditures	<u>17,276,722</u>	<u>4,028,236</u>	<u>5,560,920</u>	<u>26,865,878</u>
Excess of Revenues Under Expenditures	(2,237,016)	(3,943,399)	(821,314)	(7,001,729)
Other Financing Sources:				
Proceeds from Lease		4,500,000		4,500,000
Net Change in Fund Balances	(2,237,016)	556,601	(821,314)	(2,501,729)
Fund Balances at Beginning of Year-Restated (Note 3)	11,576,802	5,442,473	1,465,831	18,485,106
Fund Balances at End of Year	<u>\$9,339,786</u>	<u>\$5,999,074</u>	<u>\$644,517</u>	<u>\$15,983,377</u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds (\$2,501,729)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital Outlay	\$5,690,628	
Current Year Depreciation Expense	(735,097)	
Excess of Capital Outlay over Depreciation Expense		4,955,531

Other financing sources, such as proceeds of bonds, loans, and notes, in the governmental funds increase long-term liabilities in the statement of net assets. In the current fiscal year, these amounts consist of:

Proceeds of Capital Lease		(4,500,000)
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Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of:

Energy Conservation Loan Payments	92,125	
General Obligation Bond Principal Payments	195,000	
Capital Lease Payments	4,351	
		291,476

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds, when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the statement of activities is the result of the following:

Premium on Bonds	5,124	
Accretion of Capital Appreciation Bonds	(37,396)	
Net Increase in Accrued Interest Payable	(14,299)	
Net Decrease in Deferred Charges	(5,073)	
		(51,644)

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds.

Property Taxes	451,622	
Interest	(18,064)	
Intergovernmental Grants	8,734	
		442,292

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in Intergovernmental Payable	1,568	
Increase in Compensated Absences	(117,789)	
		(116,221)

Change in Net Assets of Governmental Activities		(\$1,480,295)
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See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$8,789,873	\$9,042,233	\$9,042,233	
Intergovernmental	5,426,829	5,582,635	5,582,635	
Interest	165,978	170,743	170,743	
Tuition and Fees	197,435	203,103	203,103	
Extracurricular Activities	4,715	4,850	4,850	
Rent	52,821	54,337	54,337	
Gifts and Donations	514	529	529	
Miscellaneous	2,436	3,574	3,574	
Total Revenues	<u>14,640,601</u>	<u>15,062,004</u>	<u>15,062,004</u>	
Expenditures:				
Current:				
Instruction:				
Regular	8,273,119	8,269,615	7,110,912	\$1,158,703
Special	1,961,175	1,961,175	1,690,444	270,731
Vocational	482,849	482,849	416,194	66,655
Other	690,269	690,269	594,981	95,288
Support Services:				
Pupils	1,179,033	1,179,033	1,016,273	162,760
Instructional Staff	465,360	465,360	401,118	64,242
Board of Education	19,319	19,319	16,652	2,667
Administration	1,984,409	1,984,409	1,710,471	273,938
Fiscal	447,701	447,701	385,898	61,803
Business	197,567	197,567	170,294	27,273
Operation and Maintenance of Plant	2,169,557	2,169,557	1,870,060	299,497
Pupil Transportation	925,912	925,912	798,094	127,818
Central	56,780	56,780	48,942	7,838
Operation of Non-Instructional Services	2,632	2,632	2,269	363
Extracurricular Activities	524,206	524,206	451,842	72,364
Capital Outlay	1,091,961	1,091,961	941,221	150,740
Debt Service:				
Principal Retirement	92,125	92,125	92,125	
Interest and Fiscal Charges	29,285	29,285	29,285	
Total Expenditures	<u>20,593,259</u>	<u>20,589,755</u>	<u>17,747,075</u>	<u>2,842,680</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,952,658)</u>	<u>(5,527,751)</u>	<u>(2,685,071)</u>	<u>2,842,680</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures		1,841,039	1,841,039	
Refund of Prior Year Receipts	(2,625)	(2,625)	(2,625)	
Total Other Financing Sources (Uses)	<u>(2,625)</u>	<u>1,838,414</u>	<u>1,838,414</u>	
Net Change in Fund Balance	<u>(5,955,283)</u>	<u>(3,689,337)</u>	<u>(846,657)</u>	<u>2,842,680</u>
Fund Balance at Beginning of Year	9,953,824	9,953,824	9,953,824	
Prior Year Encumbrances Appropriated	589,677	589,677	589,677	
Fund Balance at End of Year	<u>\$4,588,218</u>	<u>\$6,854,164</u>	<u>\$9,696,844</u>	<u>\$2,842,680</u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2004**

Assets:

Cash and Cash Equivalents	<u><u>\$31,474</u></u>
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Liabilities:

Due to Students	<u><u>\$31,474</u></u>
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See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 has no component units.

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

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan
- Ohio School Plan

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

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

2. Fund Financial Statements:

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

1. Governmental Funds:

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

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

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

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

2. Fiduciary Funds:

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

C. Measurement Focus

1. Government-wide Financial Statements:

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements:

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

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions:

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

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenue:

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except the Building Fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Cash received through the lease-purchase agreement is held in a separate bank account by Bank One. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents with Escrow Agents."

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 2004, the School District invested in a First American Treasury Obligation Fund, the Fifth Third U. S. Treasury Money Market Mutual Fund, the First American Treasury Money Market Mutual Fund, the One Group Money Market Mutual Fund, 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 the State Treasury Assets Reserve of Ohio (STAROhio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$119,336 which includes \$61,008 assigned from other School District funds.

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions enabling legislation. Restricted assets in the General Fund represent amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 17 for additional information regarding set-asides.

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

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

J. Capital Assets

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-20 years
Buildings and Improvements	25-80 years
Furniture and Equipment	5-20 years
Vehicles	8 years

K. Accrued Liabilities and Long-term Obligations

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

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

L. Compensated Absences

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

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

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

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

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

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization is money set aside as required by State statute to protect against cyclical changes in revenues and expenditures.

O. Interfund Transactions

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

P. Estimates

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Budgetary Process

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

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

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

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR BALANCES

For fiscal year 2004, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". This Statement further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2004.

Restatements of beginning fund balances were necessary for a restatement of interfund payable and receivable, due to the General Fund paying for expenditures for the building renovation project that should have been paid out of the Building Fund.

The following table summarizes the changes to fund balance:

	General Fund	Building Fund
Fund Balance as previously reported	\$9,836,031	\$7,183,244
Interfund Receivable	1,740,771	0
Interfund Payable	0	(1,740,771)
Restated Fund Balance at June 30, 2003	\$11,576,802	\$5,442,473

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

4. ACCOUNTABILITY

At June 30, 2004, the Education Management Information System and Disadvantaged Pupil Impact Aid Special Revenue Funds had deficit fund balances of \$28, and \$40,816, respectively. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance	
GAAP Basis	(\$2,237,016)
Net Adjustment for Revenue Accruals	1,863,337
Net Adjustment for Expenditure Accruals	(33,524)
Current Year Change in Fair Value of Investments	26,197
Adjustment for Encumbrances	(465,651)
Budget Basis	<u><u>(\$846,657)</u></u>

6. 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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 are to 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 any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

A. Deposits:

At fiscal year-end, the carrying amount of the School District's deposits was \$2,800,470 and the bank balance was \$3,525,798. \$400,387 of the bank balance was covered by federal depository insurance and \$3,125,411 is considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

B. 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 fiscal 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 securities are held by the counterparty's trust department or an 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 Educational Service Center's name. STAROhio, The Fifth Third U. S. Treasury Money Market Mutual Fund, The First American Treasury Money Market Mutual Fund, and The One Group Money Market Mutual Fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 1</u>	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair/Carrying Value</u>
First American Treasury Obligation Fund	\$0	\$1,818,536	\$0	\$1,818,536
The Fifth Third U. S. Treasury Money Market Mutual Fund	0	0	9,970	9,970
The First American Treasury Money Market Mutual Fund	0	0	52,266	52,266
The One Group Money Market Mutual Fund	0	0	24,728	24,728
U.S. Treasury Notes	438,076	0	0	438,076
Federal Farm Credit Bank Notes	0	275,033	0	275,033
Federal Home Loan Bank Bonds	500,000	3,263,138	0	3,763,138
Federal Home Loan Mortgage Notes	0	3,204,780	0	3,204,780
Federal National Mortgage Association Notes	0	2,991,704	0	2,991,704
STAROhio	0	0	2,333,677	2,333,677
Total	<u>\$938,076</u>	<u>\$11,553,191</u>	<u>\$2,420,641</u>	<u>\$14,911,908</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$17,712,378	\$0
Investments:		
First American Treasury Obligation Fund	(1,818,536)	1,818,536
The Fifth Third U. S. Treasury Money Market Mutual Fund	(9,970)	9,970
The First American Treasury Money Market Mutual Fund	(52,266)	52,266
The One Group Money Market Mutual Fund	(24,728)	24,728
U.S. Treasury Notes	(438,076)	438,076
Federal Farm Credit Bank Notes	(275,033)	275,033
Federal Home Loan Bank Bonds	(3,763,138)	3,763,138
Federal Home Loan Mortgage Notes	(3,204,780)	3,204,780
Federal National Mortgage Association Notes	(2,991,704)	2,991,704
STAROhio	(2,333,677)	2,333,677
GASB Statement No. 3	\$2,800,470	\$14,911,908

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

7. PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property which are measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations.

The amount available as an advance at June 30, 2004, was \$238,159 in the General Fund and \$17,884 in the Bond Retirement Fund. The amount available as an advance at June 30, 2003, was \$342,106 in the General Fund and \$24,437 in the Bond Retirement Fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second – Half Collections		2004 First – Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$156,211,030	60.81%	\$155,777,610	64.74%
Public Utility Personal	6,729,980	2.62	6,418,250	2.66
Tangible Personal Property	93,959,622	36.57	78,438,751	32.60
Total	<u>\$256,900,632</u>	<u>100.00%</u>	<u>\$240,634,611</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$54.05		\$54.15	

8. RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, accounts (tuition, and student fees), intergovernmental grants, and interest. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

8. RECEIVABLES (Continued)

	Amounts
Governmental Activities:	
T-11 Reimbursement	\$66,618
Title I	138,397
Food Service	65,892
Total Intergovernmental Receivables	\$270,907

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/03	Additions	Deductions	Balance 6/30/04
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$300,675	\$750,000		\$1,050,675
Construction in Progress	1,287,830	3,318,272	(\$1,287,830)	3,318,272
Total Capital Assets, not Being Depreciated	1,588,505	4,068,272	(1,287,830)	4,368,947
Capital Assets, Being Depreciated:				
Land Improvements	1,095,031			1,095,031
Buildings and Improvements	7,330,151	2,062,806		9,392,957
Furniture and Equipment	4,768,665	790,190		5,558,855
Vehicles	786,357	57,190		843,547
Total Capital Assets, Being Depreciated	13,980,204	2,910,186		16,890,390
Less Accumulated Depreciation:				
Land Improvements	(750,978)	(74,245)		(825,223)
Buildings and Improvements	(6,440,639)	(133,420)		(6,574,059)
Furniture and Equipment	(4,082,002)	(449,180)		(4,531,182)
Vehicles	(505,596)	(78,252)		(583,848)
Total Accumulated Depreciation	(11,779,215)	(735,097)		(12,514,312)
Capital Assets, Being Depreciated, Net	2,200,989	2,175,089		4,376,078
Governmental Activities Capital Assets, Net	\$3,789,494	\$6,243,361	(\$1,287,830)	\$8,745,025

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$451,978
Special	16,604
Vocational	5,487
Support Services:	
Pupils	15,851
Instructional Staff	53,656
Administration	36,174
Fiscal	3,588
Operation and Maintenance of Plant	16,087
Pupil Transportation	83,589
Operation of Non-Instructional Services	32,425
Extracurricular Activities	19,658
Total Depreciation Expense	\$735,097

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Utica National Insurance Group for property and fleet insurance. The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). The School District contracts for education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with OSP.

Coverage includes:

Building and Contents-replacement cost (\$5,000 deductible)	\$43,136,206
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured/Underinsured Motorists	500,000
Education General Liability:	
Bodily Injury and Property Damage – Each Occurrence	1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Bodily Injury and Property Damage – Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Employment Practices (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

10. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 16). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System of Ohio

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$1,070,168, \$1,143,270, and \$805,790, respectively; 84.61 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$15,346 made by the School District and \$19,126 made by the plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614)222-5853.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$235,781, \$248,568, and \$153,003, respectively; 46.94 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, three members of the Board of Education have elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

All retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$82,321 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$177,745.

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, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Medical, Vision, Dental, and Life Insurance

The School District provides medical/surgical benefits by United Health Care through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (Note 16). Vision insurance is provided through Vision Service Plan and the School District provides dental and life insurance to most employees through CoreSource.

14. CAPITAL LEASES - LESSEE DISCLOSURE

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Two copiers acquired by lease have been capitalized in the governmental activities general capital assets in the amount of \$18,872. This amount is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation on these copiers at fiscal year-end was \$9,024, leaving a book value of \$9,848. Principal payments made during fiscal year 2004 totaled \$4,351 in the General Fund.

The School District has entered into a lease agreement for a renovation project involving the buildings of the School District. At the time the School District entered into this lease, the renovations had not yet begun. As part of the agreement, Banc One Leasing Corporation, as lessor, deposited \$4,500,000 in the School District's name, with an escrow agent for the renovations to the buildings. Amounts will be paid to contractors by the School District as the work progresses. The School District will then submit the invoices to the agent for reimbursement. At fiscal year-end 2004, \$1,818,536 is still held by the escrow agent. Banc One will be repaid through lease payments for the completed renovations. No lease payments have been made as of June 30, 2004. The principal amount owed on the lease at fiscal year-end is \$4,500,000. There are mandatory deposits required to be made with the fiscal agent in order to ensure that the lease is paid timely. The first payment is not due until fiscal year 2005

At fiscal year-end, capital assets being constructed under this lease have been capitalized as construction in progress on the Statement of Net Assets.

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, 2004.

Year	Amount
2005	\$32,731
2006	31,218
2007	30,600
2008	30,600
2009	30,600
2010-2014	153,000
2015-2019	4,653,000
Total	4,961,749
Less: Amount Representing Interest	(459,161)
Present Value of Minimum Lease Payments	\$4,502,588

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	<u>Amount Outstanding 6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/04</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Energy Conservation					
Loan 2003 3.25%	\$947,125	\$0	\$92,125	\$855,000	\$95,000
<u>General Obligation Bonds:</u>					
2003 School Improvement:					
Serial Bonds 2.00-4.40%	5,620,000	0	195,000	5,425,000	200,000
Term Bonds 4.75%	1,370,000	0	0	1,370,000	0
Capital Appreciation					
Bonds 9.27-10.08%	390,000	0	0	390,000	0
Accretion on Capital					
Appreciation Bonds	8,051	37,396	0	45,447	0
Amortization of Premium	128,103	0	5,124	122,979	0
Total Long-Term Debt	8,463,279	37,396	292,249	8,208,426	295,000
Capital Leases	6,939	4,500,000	4,351	4,502,588	1,989
Compensated Absences	1,122,149	187,286	69,497	1,239,938	109,006
Total Governmental					
Activities Long-Term					
Liabilities	<u>\$9,592,367</u>	<u>\$4,724,682</u>	<u>\$366,097</u>	<u>\$13,950,952</u>	<u>\$405,995</u>

2003 Energy Conservation Loan - On June 16, 2003, Northridge Local Schools issued \$947,125 in an unvoted general obligation loan for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The loan was issued for a nine year period with final maturity during fiscal year 2012. The loan will be retired from the General Fund.

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

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

<u>Year</u>	<u>Amount to be Redeemed</u>
2025	\$435,000
2026	455,000
2027	480,000

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds, issued at \$390,000, will mature in fiscal years 2009 through 2011 in the principal amounts on the dates and will bear interest compounded semiannually on June 1 and December 1 of each year beginning in fiscal year 2009; at the compounding rates per year. The maturity amount of the capital appreciation bonds is \$735,000.

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

The School District's overall legal debt margin was \$14,556,226, the energy conservation loan debt margin was \$1,310,711, and the unvoted debt margin was \$240,635 at June 30, 2004.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Energy Conservation Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$95,000	\$26,244
2006	100,000	23,075
2007	100,000	19,825
2008	105,000	16,494
2009	110,000	13,000
2010-2014	345,000	17,144
Totals	<u>\$855,000</u>	<u>\$115,782</u>

School Improvement General Obligation Bonds

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Serial Bonds</u>		<u>Term Bonds</u>		<u>Capital Appreciation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$200,000	\$264,732	\$0	\$0	\$0	\$0
2006	210,000	260,633	0	0	0	0
2007	230,000	256,232	0	0	0	0
2008	230,000	251,058	0	0	0	0
2009	0	0	0	0	135,000	348,182
2010-2014	780,000	704,213	0	0	255,000	741,365
2015-2019	1,510,000	961,540	0	0	0	0
2020-2024	1,850,000	620,836	0	0	0	0
2025-2028	415,000	41,667	1,370,000	132,287	0	0
Total	<u>\$5,425,000</u>	<u>\$3,360,911</u>	<u>\$1,370,000</u>	<u>\$132,287</u>	<u>\$390,000</u>	<u>\$1,089,547</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties. 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 the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The School District paid MDECA \$90,318 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council -The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2004, the School District paid \$13,212 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, 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 formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2004, the School District paid \$24,107 to SOITA for services provided during the fiscal year. 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

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 2004. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

B. Insurance Purchasing Pools

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

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

17. SET-ASIDE CALCULATIONS

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

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

	Textbooks/ Instructional Materials	Capital Improvements	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2003	(\$50,119)	\$0	\$52,637
Current Fiscal Year Set-aside Requirement	269,911	269,911	0
Current Fiscal Year Offsets	0	(269,911)	0
Qualifying Disbursements	(269,911)	0	0
Totals	<u>(50,119)</u>	<u>0</u>	<u>\$52,637</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(50,119)</u>	<u>0</u>	<u>\$52,637</u>
Set-aside Reserve Balance at June 30, 2004	<u>(\$50,119)</u>	<u>\$0</u>	<u>\$52,637</u>

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

18. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

19. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2004, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/2004</u>
Frost and Co., Inc.	\$545,000	\$65,073	\$479,927
Mutual Electric Co.	789,379	118,023	671,356
Danis Building Construction	5,615,978	1,595,100	4,020,878
George J Igel and Co.	822,772	633,832	188,940
Active Electric	89,830	57,258	32,572
M&D Blacktop Sealing	50,200	0	50,200
Danis Building Construction	355,700	0	355,700
Technology Convergence	147,800	73,900	73,900
Dupont Flooring	46,085	0	46,085
Starco Inc.	81,120	0	81,120
LJB Inc.	141,690	101,402	40,288
Dalmation	39,000	0	39,000
Sonitrol	22,250	0	22,250
Keen and Cross Inc.	24,396	0	24,396
JF Peters Son Stone	24,000	0	24,000
Rite Rug	20,994	0	20,994
Harvey & Associates Inc.	10,800	0	10,800
Buck Run	9,500	0	9,500
Farnham Equipment	14,744	0	14,744
Sonitrol	10,965	0	10,965
Sonitrol	\$14,056	\$0	\$14,056
George J Igel and Co.	21,780	0	21,780
Gemco	23,900	0	23,900
MG Walsh Co.	17,877	4,469	13,408
Copp Systems	15,000	0	15,000
Service Supply LTD Inc	30,050	0	30,050
Furniture Focus	19,493	0	19,493
Totals	<u>\$9,004,359</u>	<u>\$2,649,057</u>	<u>\$6,355,302</u>

20. 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 decision 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 on its financial operations.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$94,933		\$94,933
National School Breakfast Program		10.553	\$121,129		\$121,129	
National School Lunch Program		10.555	387,803		387,803	
Total U.S. Department of Agriculture - Nutrition Cluster			508,932	94,933	508,932	94,933
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Education Agencies (ESEA Title I)	C1-S1 2003 C1-S1 2004	84.010			113,777 707,985	
			709,341		821,762	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF 2004	84.027	293,609		293,609	
Special Education Preschool Grant	PG-S1-04	84.173	4,988		4,988	
			298,597		298,597	
Drug-Free Schools Grant	DR-S1 2004	84.186	22,712		22,712	
Even Start Family Literacy	EVS-7-03 EVS-7-04	84.213	18,617 129,669		30,518 121,004	
			148,286		151,522	
Innovative Educational Program Strategies	C2-S1 2004	84.298	12,925		12,295	
Technology Literacy Challenge Grant	TJ-S1 2004	84.318	21,143		21,535	
Comprehensive School Reform	CR-S1 2003 CR-S1 2004	84.332			10,003 94,816	
			100,001		104,819	
Improving Teacher Quality Grant	TR-S1 2003 TR-S1 2004	84.367	22,588 204,918		22,588 190,916	
			227,506		213,504	
Total U. S. Department of Education			1,540,511		1,646,746	
U.S. Department of Health and Human Services						
<i>Passed through Ohio Department of MRDD</i>						
Medical Assistance Program	N/A	93.778	40,961		40,961	
<i>Passed through Montgomery Co. Educational Service Center</i>						
Medical Assistance Program	N/A	93.778	3,017		3,017	
Total U.S. Department of Health and Human Services			43,978		43,978	
Total Federal Assistance			\$2,093,421	\$94,933	\$2,199,656	\$94,933

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District did not have a significant inventory of food commodities.

NOTE C - MATCHING REQUIREMENTS

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

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Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Northridge Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2005. 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 we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 31, 2005.

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 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 which do not require inclusion in this report, which we have reported to management of the District in a separate letter dated January 31, 2005.

Northridge Local School District
Montgomery County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 31, 2005



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Northridge Local School District, Montgomery County, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are 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 each of its major federal programs 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 each of its major federal programs for the year ended June 30, 2004.

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.

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**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 the audit committee, management, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 31, 2005

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster : Food Distribution Program CFDA # 10.550 National School Breakfast CFDA # 10.553 National School Lunch CFDA # 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2005**