



**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
Montgomery County
2011 Timber Lane
Dayton, Ohio 45414-4528

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, major funds, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2003, 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, major funds, and the aggregate remaining fund information of the District as of June 30, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2004 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 federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

April 7, 2004

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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, 2003. 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 2003 are as follows:

- In total, net assets decreased \$1,119,524, which represents a 7.7 percent decrease from 2002.
- General revenues accounted for \$14,700,894 in revenue or 73.7 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, interest, and contributions, and capital grants, interest, and contributions accounted for \$5,244,297 or 26.3 percent of total revenues of \$19,945,191.
- Total assets of governmental activities increased by \$8,231,493. Of this change, investments increased by \$7,439,296 and capital assets increased by \$1,797,777.
- The School District had \$21,064,715 in expenses; only \$5,244,297 of these expenses was offset by program specific charges for services, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$14,700,894 plus net assets at the beginning of the year of \$14,623,657 provided for these programs.
- The general fund had \$15,759,713 in revenues and \$18,152,596 in expenditures. The general fund's balance decreased \$2,386,941 over 2002. This decrease has been anticipated by the School District. During the period of these financial statements, an increase in capital outlay expenditures led to an overall decrease to the cash balance of the general fund. The increase in capital expenditures was due to an ongoing capital improvement plan that will be funded by Qualified Zone Academy Bonds (QZAB) in the amount of \$4.5 million. The sale of the bonds was approved by the State Department of Education and the funds will be made available next fiscal year. Once these funds are received, the general fund will be reimbursed for the capital expenditures that were part of the approved QZAB project. Also contributing to the decrease in the general fund's balance was an increase in accrued wages and benefits payable during fiscal year 2003. As of June 30, 2002, there was a minimal liability for accrued wages due to teachers being paid out the remainder of their contracts by fiscal year-end. This option was no longer in place at June 30, 2003, so teachers were paid out for the remainder of their contracts through the end of August 2003.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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 nonmajor funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" 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, bond retirement fund, and building fund.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

**Table 1
Net Assets**

	2002	2003
Assets:		
Current and Other Assets	\$25,129,710	\$31,563,426
Capital Assets	1,991,717	3,789,494
Total Assets	27,121,427	35,352,920
Liabilities:		
Long-Term Liabilities	1,197,831	9,592,367
Other Liabilities	11,299,939	12,256,420
Total Liabilities	12,497,770	21,848,787
Net Assets:		
Invested in Capital Assets, Net of Debt	1,920,780	3,544,232
Restricted	565,175	462,816
Unrestricted	12,137,702	9,497,085
Total Net Assets	\$14,623,657	\$13,504,133

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Total assets of governmental activities increased by \$8,231,493 as investments increased by \$7,439,296 and capital assets increased by \$1,797,777. Investments increased due to a school improvement bond issue. The proceeds were invested in anticipation of starting the new facilities project in the fall of 2003. Capital assets increased due to construction in progress for various school improvements along with purchases of computer equipment. 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 \$2,640,617, mainly because the School District spent more in fiscal year 2003 than was taken in for revenue. Several companies moved out of the School District during fiscal year 2003, thus reducing property tax revenues received. Also, accrued wages and benefits payable increased from fiscal year 2002, thus reducing unrestricted net assets in the general fund.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2
Changes in Net Assets**

	2003
Revenues	
Program Revenues:	
Charges for Services	\$740,591
Operating Grants, Interest, and Contributions	4,344,272
Capital Grants, Interest, and Contributions	159,434
Total Program Revenues	5,244,297
General Revenues:	
Property Taxes	9,632,925
Grants and Entitlements	4,701,013
Other	366,956
Total General Revenues	14,700,894
Total Revenues	19,945,191
Program Expenses	
Instruction:	
Regular	9,242,742
Special	2,622,415
Vocational	403,215
Support Services:	
Pupils	1,424,811
Instructional Staff	932,818
Board of Education	13,822
Administration	1,768,482
Fiscal	366,302
Business	161,544
Operation and Maintenance of Plant	1,531,699
Pupil Transportation	881,174
Central	48,854
Operation of Non-Instructional Services	883,715
Extracurricular Activities	522,569
Intergovernmental	110,632
Interest and Fiscal Charges	149,921
Total Expenses	21,064,715
Decrease in Net Assets	(\$1,119,524)

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes made up 48.3 percent of revenues for governmental activities for the Northridge Local School District for fiscal year 2003.

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

Instruction comprises 58.2 percent of district expenses. Support services expenses make up 33.9 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. Comparisons to 2002 have not been made because they are not available.

Table 3

	Total Cost of Services 2003	Net Cost of Services 2003
	<u>2003</u>	<u>2003</u>
Instruction	\$12,268,372	\$9,460,332
Support Services:		
Pupils	1,424,811	1,100,459
Instructional Staff	932,818	430,883
Board of Education	13,822	13,822
Administration	1,768,482	1,626,633
Fiscal	366,302	366,302
Business	161,544	161,544
Operation and Maintenance of Plant	1,531,699	1,433,003
Pupil Transportation	881,174	492,213
Central	48,854	30,953
Operation of Non-Instructional Services	883,715	17,233
Extracurricular Activities	522,569	426,488
Intergovernmental	110,632	110,632
Interest and Fiscal Charges	149,921	149,921
Total Expenses	<u><u>\$21,064,715</u></u>	<u><u>\$15,820,418</u></u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the 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 dependence upon tax revenues is apparent. Instruction activities are supported through taxes and other general revenues by 77.1 percent; for all activities general revenue support is 75.1 percent.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,120,073 and expenditures of \$30,428,805. The net change in fund balances for the year in the general fund, bond retirement fund, and the building fund were (\$2,386,941), \$65,921, and \$7,183,244, respectively.

The net change in fund balance was caused in the general fund by increases in expenditures, particularly capital outlay and wages. The bond retirement fund started receiving property tax revenues during fiscal year 2003, thus explaining the increase in fund balance. The building fund had unspent debt proceeds. These monies account for the significant increase to fund balance in the building fund.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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 2003, the School District amended its general fund budget numerous times, which resulted in appropriations decreasing \$9,621,145, a 34.4 percent decrease. The large decrease in appropriations from the beginning of the year to the end was due to the delay of the start of the facilities improvement projects. The original bids came in over (more than 25 percent) budget and will be re-bid during fiscal year 2004.

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 only differed from the original budgeted estimates of \$15,757,602 by (\$10,349) to \$15,747,253.

During fiscal year 2003, the School District originally budgeted \$10,402,789 and \$5,354,813 for property taxes and intergovernmental revenues, respectively. The School District received \$9,620,510 in property taxes revenue, while the School District received \$5,510,353 in intergovernmental revenue. Property tax revenues had a negative variance for the fiscal year when comparing the original budget to what was actually received. The majority of the negative variance was due to the decrease in tangible personal property tax as described earlier from several companies in the area moving away.

Capital Assets

At the end of the fiscal year 2003, the School District had \$3,789,494 invested in land, land improvements, construction in progress, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 4 shows fiscal year 2003 balances compared to fiscal year 2002.

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

	2002	2003
Land	\$300,675	\$300,675
Construction in Progress	0	1,287,830
Land Improvements	399,811	344,053
Buildings and Improvements	351,207	889,512
Furniture, Fixtures and Equipment	604,137	686,663
Vehicles	335,887	280,761
Totals	\$1,991,717	\$3,789,494

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Overall capital assets increased \$1,797,777 from fiscal year 2002 to fiscal year 2003. Increases in capital assets (primarily construction in progress and furniture, fixtures, and equipment) were offset by depreciation expense for the year. The construction in progress relates to the various school improvements made possible mainly due to the issuance of debt during fiscal year 2003. The majority of equipment purchased during fiscal year 2003 was for new computer equipment throughout the School District.

At fiscal year end, the School District had contractual commitments with various vendors with a balance of \$791,454. For more information on capital assets, refer to Notes 9 and 20 of the basic financial statements.

Debt Administration

At June 30, 2003, the School District had \$8,463,279 in total outstanding debt of bonds and loans. This figure includes premium amortization and accretion on capital appreciation bonds. The School District also had capital leases payable at fiscal year-end of \$6,939. At June 30, 2003, the School District's overall legal debt margin was \$15,806,978, the energy conservation loan debt margin was \$1,364,981, and the unvoted debt margin was \$256,901. For more information on debt administration, refer to Note 15 of the basic financial statements.

Current Financial Issues and Concerns

The School District is proud of its community support of the public schools. The building facilities project as well as the QZAB projects in progress will help keep the School District facilities in excellent physical condition and allow the Board of Education and administration to provide a stable and safe environment for students to learn. The Board of Education recognizes the expectations of the community and has allocated the resources to meet these expectations. The School District 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 2004. 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 2002 to fiscal year 2003. 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 32.8 percent of the School District's wealth coming from business and industry, this could have a significant negative impact on the School District's residential taxpayers.

Both scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

During the 2003-04 school year, Northridge received assessment documents from the Ohio Facilities Commission. A committee was established to review meaningful plans for repair and/or replacement of buildings. The aforementioned building fund has been set forth to set-aside monies for potential projects.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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, 2003**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$12,083,663
Cash and Cash Equivalents in Segregated Accounts	2,000
Accrued Interest Receivable	80,911
Intergovernmental Receivable	120,326
Accounts Receivable	23,393
Prepaid Items	43,385
Inventory of Supplies and Materials	36,780
Investments	7,439,296
Property Taxes Receivable	11,606,850
Deferred Charges	126,822
Nondepreciable Capital Assets	1,588,505
Depreciable Capital Assets, Net	2,200,989
Total Assets	35,352,920
Liabilities:	
Accounts Payable	104,974
Contracts Payable	269,208
Accrued Wages and Benefits Payable	750,951
Matured Compensated Absences Payable	148,976
Accrued Interest Payable	28,319
Retainage Payable	53,000
Intergovernmental Payable	519,047
Deferred Revenue	10,381,945
Long-Term Liabilities:	
Due Within One Year	439,943
Due in More Than One Year	9,152,424
Total Liabilities	21,848,787
Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,544,232
Restricted for:	
Debt Service	87,056
Capital Outlay	48,521
Other Purposes	274,602
Set-Asides	52,637
Unrestricted	9,497,085
Total Net Assets	\$13,504,133

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	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	\$9,242,742	\$109,971	\$915,363	\$128,732	(\$8,088,676)
Special	2,622,415	17,530	1,405,815		(1,199,070)
Vocational	403,215		230,629		(172,586)
Support Services:					
Pupil	1,424,811	14,392	309,960		(1,100,459)
Instructional Staff	932,818	7,620	494,315		(430,883)
Board of Education	13,822				(13,822)
Administration	1,768,482	55,240	86,609		(1,626,633)
Fiscal	366,302				(366,302)
Business	161,544				(161,544)
Operation and Maintenance of Plant	1,531,699	60,097	38,599		(1,433,003)
Pupil Transportation	881,174	95,076	263,183	30,702	(492,213)
Central	48,854		17,901		(30,953)
Operation of Non-Instructional Services	883,715	284,584	581,898		(17,233)
Extracurricular Activities	522,569	96,081			(426,488)
Intergovernmental	110,632				(110,632)
Interest and Fiscal Charges	149,921				(149,921)
Total Governmental Activities	\$21,064,715	\$740,591	\$4,344,272	\$159,434	(15,820,418)

General Revenues:

Property Taxes Levied for:

General Purposes	9,419,988
Debt Service	212,937
Grants and Entitlements not Restricted to Specific Programs	4,701,013
Investment Earnings	358,216
Miscellaneous	8,740
Total General Revenues	14,700,894

Change in Net Assets (1,119,524)

Net Assets Beginning of Year - Note 3 14,623,657

Net Assets End of Year **\$13,504,133**

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$10,483,011	\$41,484	\$30,607	\$1,475,924	\$12,031,026
Cash and Cash Equivalents In Segregated Accounts				2,000	2,000
Investments			7,439,296		7,439,296
Receivables:					
Property Taxes	11,060,333	546,517			11,606,850
Accounts	21,641			1,752	23,393
Intergovernmental	12,962			107,364	120,326
Interfund	6,918				6,918
Accrued Interest	66,012		14,899		80,911
Materials and Supplies Inventory	14,838			21,942	36,780
Prepaid Items	36,902			6,483	43,385
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	52,637				52,637
Total Assets	<u>21,755,254</u>	<u>588,001</u>	<u>7,484,802</u>	<u>1,615,465</u>	<u>31,443,522</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	102,746			2,228	104,974
Contracts Payable	26,953		242,255		269,208
Retainage Payable			53,000		53,000
Accrued Wages and Benefits Payable	628,435			122,516	750,951
Interfund Payable				6,918	6,918
Intergovernmental Payable	302,784			35,844	338,628
Deferred Revenue	10,738,761	522,080	6,303	18,617	11,285,761
Matured Compensated Absences Payable	119,544			29,432	148,976
Total Liabilities	<u>11,919,223</u>	<u>522,080</u>	<u>301,558</u>	<u>215,555</u>	<u>12,958,416</u>
Fund Balances:					
Reserved for Encumbrances	488,118		634,202	51,848	1,174,168
Reserved for Property Taxes	342,106	24,437			366,543
Reserved for Budget Stabilization	52,637				52,637
Unreserved, Designated for Budget Stabilization	245,731				245,731
Unreserved, Undesignated, Reported in:					
General Fund	8,707,439				8,707,439
Special Revenue Funds				390,954	390,954
Debt Service Fund		41,484			41,484
Capital Projects Funds			6,549,042	957,108	7,506,150
Total Fund Balances	<u>9,836,031</u>	<u>65,921</u>	<u>7,183,244</u>	<u>1,399,910</u>	<u>18,485,106</u>
Total Liabilities and Fund Balances	<u>\$21,755,254</u>	<u>\$588,001</u>	<u>\$7,484,802</u>	<u>\$1,615,465</u>	<u>\$31,443,522</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, 2003**

Total Governmental Fund Balances \$18,485,106

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

Some assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred Charges	126,822	
Land	300,675	
Construction in Progress	1,287,830	
Land Improvements	1,095,031	
Buildings and Improvements	7,330,151	
Furniture, Fixtures, and Equipment	4,768,665	
Vehicles	786,357	
Accumulated Depreciation	<u>(11,779,215)</u>	
		3,916,316

Long-term assets are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Property Taxes	858,362	
Interest	26,837	
Intergovernmental Grants	<u>18,617</u>	
		903,816

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:

Accrued Interest Payable	(28,319)	
Energy Conservation Loan	(947,125)	
Premium on Bonds	(128,103)	
Accretion of Capital Appreciation Bonds	(8,051)	
General Obligation Bonds	(7,380,000)	
Capital Leases	(6,939)	
Compensated Absences	(1,122,149)	
Intergovernmental Payable	<u>(180,419)</u>	
Total Liabilities		<u>(9,801,105)</u>

Net Assets of Governmental Activities \$13,504,133

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, 2003**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property Taxes	\$9,663,460	\$163,483			\$9,826,943
Tuition and Fees	170,362			76,201	246,563
Extracurricular Activities				121,227	121,227
Interest	364,000		93,538	3,164	460,702
Intergovernmental	5,500,674	18,521		3,563,902	9,083,097
Charges for Services				247,514	247,514
Rent	52,477				52,477
Miscellaneous	8,740			72,810	81,550
Total Revenues	<u>15,759,713</u>	<u>182,004</u>	<u>93,538</u>	<u>4,084,818</u>	<u>20,120,073</u>
Expenditures:					
Current:					
Instruction:					
Regular	7,623,462			1,163,294	8,786,756
Special	1,603,788			1,059,855	2,663,643
Vocational	467,172				467,172
Support Services:					
Pupils	1,085,387			330,923	1,416,310
Instructional Staff	409,854			492,002	901,856
Board of Education	13,822				13,822
Administration	1,585,274			165,538	1,750,812
Fiscal	362,162	2,508			364,670
Business	166,575				166,575
Operation and Maintenance of Plant	1,510,987			56,445	1,567,432
Pupil Transportation	738,545			98,166	836,711
Central	30,971			17,883	48,854
Operation of Non-Instructional Services	1,568			850,308	851,876
Extracurricular Activities	426,259			101,485	527,744
Capital Outlay	1,948,360		295,255		2,243,615
Intergovernmental	110,632				110,632
Debt Service:					
Principal Retirement	63,998	7,380,000			7,443,998
Interest and Fiscal Charges	3,780	113,575			117,355
Issuance Costs		128,103	20,869		148,972
Total Expenditures	<u>18,152,596</u>	<u>7,624,186</u>	<u>316,124</u>	<u>4,335,899</u>	<u>30,428,805</u>
Excess of Revenues Under Expenditures	<u>(2,392,883)</u>	<u>(7,442,182)</u>	<u>(222,586)</u>	<u>(251,081)</u>	<u>(10,308,732)</u>
Other Financing Sources:					
General Obligation Notes Issued			7,380,000		7,380,000
Premium on Sale of Notes			25,830		25,830
General Obligation Bonds Issued		7,380,000			7,380,000
Premium on Sale of Bonds		128,103			128,103
Loan Issued				947,125	947,125
Proceeds from Sale of Capital Assets	5,942				5,942
Total Other Financing Sources	<u>5,942</u>	<u>7,508,103</u>	<u>7,405,830</u>	<u>947,125</u>	<u>15,867,000</u>
Net Change in Fund Balances	(2,386,941)	65,921	7,183,244	696,044	5,558,268
Fund Balances at Beginning of Year-Restated (Note 3)	<u>12,222,972</u>			<u>703,866</u>	<u>12,926,838</u>
Fund Balances at End of Year	<u>\$9,836,031</u>	<u>\$65,921</u>	<u>\$7,183,244</u>	<u>\$1,399,910</u>	<u>\$18,485,106</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, 2003**

Net Change in Fund Balances - Total Governmental Funds \$5,558,268

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	2,506,331	
Current Year Depreciation Expense	(708,554)	
		1,797,777

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Proceeds from Sale of Capital Assets	(5,942)	
Gain on Disposal of Capital Assets	5,942	
		0

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 Bonds	(7,380,000)	
Proceeds of Loan	(947,125)	
Proceeds of Notes	(7,380,000)	
		(15,707,125)

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	60,000	
Note Principal Payments	7,380,000	
Capital Lease Payments	3,998	
		7,443,998

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	(128,103)	
Accretion of Capital Appreciation Bonds	(8,051)	
Net Increase in Accrued Interest Payable	(28,195)	
Net Increase in Deferred Charges	126,822	
		(37,527)

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	(194,018)	
Interest	519	
Intergovernmental Grants	18,617	
		(174,882)

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:

Increase in Intergovernmental Payable	(4,778)	
Decrease in Compensated Absences	4,745	
		(33)

Change in Net Assets of Governmental Activities (\$1,119,524)

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, 2003**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$10,402,789	\$9,620,510	\$9,620,510	
Tuition and Fees		166,930	166,930	
Interest		391,716	391,716	
Intergovernmental	5,354,813	5,510,353	5,510,353	
Rent		52,131	52,131	
Miscellaneous		5,613	5,613	
Total Revenues	<u>15,757,602</u>	<u>15,747,253</u>	<u>15,747,253</u>	
Expenditures:				
Current:				
Instruction:				
Regular	11,126,783	6,883,214	6,883,214	
Special	2,787,625	1,598,014	1,598,014	
Vocational	640,107	455,896	455,896	
Other	354,602	464,999	464,999	
Support Services:				
Pupils	1,434,219	1,116,833	1,116,833	
Instructional Staff	576,209	396,599	396,599	
Board of Education	17,013	14,013	14,013	
Administration	2,764,158	1,758,580	1,758,580	
Fiscal	615,462	362,955	362,955	
Business	226,441	169,976	169,976	
Operation and Maintenance of Plant	2,660,857	1,563,510	1,563,510	
Pupil Transportation	1,044,365	754,058	754,058	
Central	77,974	30,971	30,971	
Operation of Non-Instructional Services	1,796	1,568	1,568	
Extracurricular Activities	321,862	428,984	428,984	
Capital Outlay	2,096,178	2,157,959	2,157,959	
Intergovernmental	7,522	110,632	110,632	
Debt Service:				
Principal Retirement	1,142,691	60,000	60,000	
Interest and Fiscal Charges	55,985	2,970	2,970	
Total Expenditures	<u>27,951,849</u>	<u>18,331,731</u>	<u>18,331,731</u>	
Excess of Revenues Under Expenditures	<u>(12,194,247)</u>	<u>(2,584,478)</u>	<u>(2,584,478)</u>	
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets		5,942	5,942	
Refund of Prior Year Expenditure		37,061	37,061	
Refund of Prior Year Receipts	(2,227)	(1,200)	(1,200)	
Advances - In			150,000	150,000
Advances - Out			(150,000)	(150,000)
Total Other Financing Sources (Uses)	<u>(2,227)</u>	<u>41,803</u>	<u>41,803</u>	
Net Change in Fund Balance	(12,196,474)	(2,542,675)	(2,542,675)	
Fund Balance at Beginning of Year	11,375,519	11,375,519	11,375,519	
Prior Year Encumbrances Appropriated	1,120,980	1,120,980	1,120,980	
Fund Balance at End of Year	<u>\$300,025</u>	<u>\$9,953,824</u>	<u>\$9,953,824</u>	<u>\$0</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, 2003**

Asset:

Cash and Cash Equivalents	<u><u>\$28,672</u></u>
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Liability:

Due to Students	<u><u>\$28,672</u></u>
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See accompanying notes to the basic financial statements.

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 of the School District 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 17 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, 2003
(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 most 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 therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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, 2003
(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. 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 typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are 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.

Bond Retirement Fund - The bond retirement fund accounts for levied property tax and associated intergovernmental revenues to pay for general obligation bonded debt.

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 fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The 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 (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(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 are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of 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, student fees, and rentals.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(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, 2003, but which were levied to finance fiscal year 2004 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, all 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".

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 2003, the School District invested in a repurchase agreement, The One Group Money Market Mutual Fund, The Fifth Third U. S. Treasury Money Market Mutual Fund, The First American Treasury Money Market Mutual Fund, The Victory Federal 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 (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$364,000 which includes \$174,979 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. Investments with a maturity of more than three months that were not purchased from the pool are reported as investments.

F. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

G. 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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets are applied first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

K. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are capital assets that are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Industrial Appraisal Company performed an appraisal of the School Districts capital assets as of July 1, 2003.

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.

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

Description	Estimated Lives
Land Improvements	15-20 years
Buildings and Improvements	25-80 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	8 years

L. Accrued Liabilities and Long-term Obligations

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

In general, 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 and notes that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

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

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

N. 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 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.

O. Fund Balance Reserves and Designation

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. Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the School District's intentions and is subject to change. 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. A fund designation has been established for budget stabilization that represents resources set aside by the Board of Education in excess of the statutory requirement.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

P. Interfund Activity

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.

Q. 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.

R. 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. Advances - in and advances - out are not required to be budgeted since they represent a cash flow resource and are intended to be repaid.

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 as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that was in effect at the time the final appropriations were passed by the Board of Education. Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

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 amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. The financial statements are presented at more detail than the legal level of control. The Treasurer has been given the authority to allocate the Board's appropriations to the function and object level. Prior to fiscal year-end, the School District approved amended appropriations which matched appropriations to expenditures plus encumbrances at fiscal year-end.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the reclassification of funds based on the guidance provided in GASB Statement No. 34 and by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. The implementation of this statement had no effect on the presentation of budgetary statements by the School District for fiscal year 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The fund structure of the School District changed due to including the E-rate special revenue fund with the general fund. There was a calculation error in capital assets that needed to be corrected. Capital assets prior to depreciation changed by \$1,961,264, from \$11,110,891 to \$13,072,155 as of June 30, 2002.

The implementation of these changes had the following effects on fund balance of the major and non-major funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES (Continued)

	<u>General</u>	<u>Non-major</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$12,318,686	\$372,759	\$12,691,445
GASB Interpretation No. 6	(96,859)	8,800	(88,059)
GASB 34 Adjustment:			
Change in Fund Structure	1,145	322,307	323,452
Adjusted Fund Balance, June 30, 2002	<u>\$12,222,972</u>	<u>\$703,866</u>	12,926,838
GASB 34 Adjustments:			
Capital Assets			1,991,717
Intergovernmental Payable			(175,641)
Accrued Interest Payable			(124)
Long-Term Liabilities			(1,197,831)
Long-Term (Deferred) Assets:			
Delinquent Property Taxes			1,052,380
Accrued Interest Receivable			26,318
Governmental Activities Net Assets, June 30, 2002			<u>\$14,623,657</u>

The School District's only enterprise fund was reclassified as a special revenue fund with the implementation of GASB Statement No. 34. Therefore, retained earnings of \$408,909, was restated by reducing the balance to zero.

4. ACCOUNTABILITY

At June 30, 2003, the preschool, disadvantaged pupil impact aid, and Title VI-R special revenue funds had deficit fund balances of \$1,683, \$43,595, and \$23,582, respectively, which were created by the application of generally accepted accounting principles. The general fund is liable for any deficit in this fund 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 presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are 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).

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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	(\$2,386,941)
Net Adjustment for Revenue Accruals	16,757
Net Adjustment for Expenditure Accruals	391,243
Current Year Change in Fair Value of Investments	7,844
Prepaid Items	18,090
Adjustment for Encumbrances	<u>(589,668)</u>
Budget Basis	<u><u>(\$2,542,675)</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.

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;

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest 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 (\$711,242) and the bank balance was \$844,826. \$218,792 of the bank balance was covered by federal depository insurance and \$626,034 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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 the School District's name. STAR Ohio, The One Group Money Market Mutual Fund, The Fifth Third U. S. Treasury Money Market Mutual Fund, The First American Treasury Money Market Mutual Fund, and The Victory Federal Money Market Mutual Fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Category 3	Unclassified	Fair/Carrying Value
Repurchase Agreement	\$ 0	\$ 0	\$1,598,451	\$ 0	\$ 1,598,451
The One Group Money Market Mutual Fund	0	0	0	58,542	58,542
The Fifth Third U. S. Treasury Money Market Mutual Fund	0	0	0	6,968	6,968
The First American Treasury Money Market Mutual Fund	0	0	0	59,771	59,771
The Victory Federal Money Market Mutual Fund	0	0	0	552,232	552,232
U.S. Treasury Notes	500,000	932,244	0	0	1,432,244
Federal Farm Credit Bank Notes	0	274,978	0	0	274,978
Federal Home Loan Bank Bonds (FHLB)	500,000	3,546,310	0	0	4,046,310
Federal Home Loan Mortgage Notes	0	1,489,745	0	0	1,489,745
Federal National Mortgage Association Notes (FNMA)	0	7,167,598	0	0	7,167,598
STAR Ohio	0	0	0	3,578,034	3,578,034
Total	\$1,000,000	\$13,410,875	\$1,598,451	\$4,255,547	\$20,264,873

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:

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$12,114,335	\$7,439,296
Investments:		
Repurchase Agreement	(1,598,451)	1,598,451
The One Group Money Market Mutual Fund	(58,542)	58,542
The Fifth Third U. S. Treasury Money Market Mutual Fund	(6,968)	6,968
The First American Treasury Money Market Mutual Fund	(13,999)	13,999
The Victory Federal Money Market Mutual Fund	(552,232)	552,232
U.S. Treasury Notes	(1,432,244)	1,432,244
Federal Farm Credit Bank Notes	(274,978)	274,978
Federal Home Loan Bank Bonds (FHLB)	(1,944,185)	1,944,185
Federal Home Loan Mortgage Notes	(1,489,745)	1,489,745
Federal National Mortgage Association Notes (FNMA)	(1,876,199)	1,876,199
STAR Ohio	(3,578,034)	3,578,034
GASB Statement No. 3	<u>(\$711,242)</u>	<u>\$20,264,873</u>

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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 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.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. PROPERTY TAXES (Continued)

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003, 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance is recognized as revenue. On an 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 amount available as an advance at June 30, 2003, was \$342,106 in the general fund and \$24,437 in the bond retirement fund. The amount available as an advance at June 30, 2002, was \$299,156 in the general fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second – Half Collections		2003 First – Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$146,483,260	58.22%	\$156,211,030	60.81%
Public Utility Personal	6,536,800	2.60	6,729,980	2.62
Tangible Personal Property	98,583,208	39.18	93,959,622	36.57
Total	\$251,603,268	100.00%	\$256,900,632	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$52.10		\$54.05	

An increase of 1.95 mills is due to a new voted bonded debt levy. This is for school improvement bonds issued for \$7,380,000 on December 18, 2002.

8. RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, accounts (rent, tuition, and student fees), intergovernmental grants, interfund, 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

8. RECEIVABLES (Continued)

	Amounts
Governmental Activities:	
SF3 Adjustment	\$6,018
Medicaid Reimbursement	2,911
SF3 ESC Deductions	3,593
Bureau of Workers' Compensation Refund	440
Food Service	66,159
Even Start	18,617
Technology Title II-D	22,588
Total Intergovernmental Receivables	\$120,326

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 6/30/02	Additions	Deductions	Balance 6/30/03
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$300,675	\$0	\$0	\$300,675
Construction in Progress	0	1,287,830	0	1,287,830
Total Capital Assets, not Being Depreciated	300,675	1,287,830	0	1,588,505
Capital Assets, Being Depreciated:				
Land Improvements	1,086,470	8,561	0	1,095,031
Buildings and Improvements	6,648,888	681,263	0	7,330,151
Furniture, Fixtures, and Equipment	4,271,673	506,769	(9,777)	4,768,665
Vehicles	764,449	21,908	0	786,357
Total Capital Assets, Being Depreciated	12,771,480	1,218,501	(9,777)	13,980,204
Less Accumulated Depreciation:				
Land Improvements	(686,659)	(64,319)	0	(750,978)
Buildings and Improvements	(6,297,681)	(142,958)	0	(6,440,639)
Furniture, Fixtures, and Equipment	(3,667,536)	(424,243)	9,777	(4,082,002)
Vehicles	(428,562)	(77,034)	0	(505,596)
Total Accumulated Depreciation	(11,080,438)	(708,554)	9,777	(11,779,215)
Capital Assets, Being Depreciated, Net	1,691,042	509,947	0	2,200,989
Governmental Activities Capital Assets, Net	\$1,991,717	\$1,797,777	\$0	\$3,789,494

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$438,935
Special	21,520
Vocational	5,526
Support Services:	
Pupils	14,836
Instructional Staff	49,249
Administration	34,389
Fiscal	4,987
Operation and Maintenance of Plant	13,291
Pupil Transportation	75,519
Operation of Non-Instructional Services	30,761
Extracurricular Activities	19,541
Total Depreciation Expense	<u><u>\$708,554</u></u>

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 2003, the School District contracted with Utica National Insurance Group for property and fleet insurance. Also, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. 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 17). 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:	
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:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000

(Continued)

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

10. RISK MANAGEMENT (Continued)

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
Defense Costs Each Occurrence	1,000,000
Defense Costs Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been a significant reduction in insurance coverage for automobile liability from the last fiscal year.

B. Workers' Compensation

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 17). 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent was 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, 2003, 2002 and 2001 were \$248,568, \$153,003, and \$92,421, respectively; 52.39 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$118,341, representing the unpaid contribution for fiscal year 2003, is recorded as a liability.

B. State Teachers Retirement System of Ohio

The School District contributes to 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 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2003, plan members were required to contribute 9.3 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 2002, the portion used to fund pension obligations was 9.5 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, 2003, 2002, and 2001 were \$1,143,270, \$805,790, and \$843,327 respectively; 85.15 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$11,264 made by the School District and \$12,643 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, 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. POST-EMPLOYMENT 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 STRS Ohio benefit recipients and sponsored 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. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$87,944 for fiscal year 2003.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. POST-EMPLOYMENT BENEFITS (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, the balance in the Fund was \$2.8 billion. For the fiscal year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$222,602.

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, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 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 17). Vision insurance is provided through Vision Service Plan and the School District provides dental and life insurance to most employees through CoreSource.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE

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

Two copiers acquired by lease have been capitalized in the governmental activities general capital assets in the amount of \$18,872. This amount is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation on these copiers at fiscal year-end was \$8,837, leaving a book value of \$10,035. A corresponding liability was split between long-term liabilities due within one year and long-term liabilities due within more than one year on the statement of net assets. Principal payments made during fiscal year 2003 totaled \$3,998 in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

<u>Year</u>	<u>Amount</u>
2004	\$4,808
2005	2,131
2006	618
Total	<u>7,557</u>
Less: Amount Representing Interest	<u>(618)</u>
Present Value of Minimum Lease Payments	<u><u>\$6,939</u></u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<u>Restated Amount Outstanding 6/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/03</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Energy Conservation Loan 1993 4.95%	\$60,000	\$0	\$60,000	\$0	\$0
Energy Conservation Loan 2003 3.25%	0	947,125	0	947,125	92,125
School Improvement Note 2003 2.00%	0	7,380,000	7,380,000	0	0
School Improvement Serial Bonds 2003 2.00-4.40%	0	5,620,000	0	5,620,000	195,000
School Improvement Term Bonds 2003 4.75%	0	1,370,000	0	1,370,000	0
School Improvement Bonds Amortization of Premium	0	128,103	0	128,103	0
School Improvement Original Issue of Capital Appreciation Bonds 2003 9.27-10.08%	0	390,000	0	390,000	0
Accretion on Capital Appreciation Bonds	0	8,051	0	8,051	0
Total Long-Term Debt	<u>60,000</u>	<u>15,843,279</u>	<u>7,440,000</u>	<u>8,463,279</u>	<u>287,125</u>
Capital Leases	10,937	0	3,998	6,939	4,351
Compensated Absences	<u>1,126,894</u>	<u>424,264</u>	<u>429,009</u>	<u>1,122,149</u>	<u>148,467</u>
Total Governmental Activities Long-Term Liabilities	<u>\$1,197,831</u>	<u>\$16,267,543</u>	<u>\$7,873,007</u>	<u>\$9,592,367</u>	<u>\$439,943</u>

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

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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

School Improvement Note - On December 18, 2002, Northridge Local School District issued a \$7,380,000 school improvement general obligation bond anticipation note. The note was retired from the bond retirement fund with proceeds from the school improvement bonds. A premium of \$25,830 was received along with the proceeds of the note issuance on December 18, 2002.

School Improvement Bonds - On April 8, 2003, Northridge Local School District issued \$7,380,000 in school improvement general obligation 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 maturing on December 1, 2027, will be subject to mandatory sinking fund redemption as follows:

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

The total original issue amount for the School Improvement Bonds was \$7,380,000. The School Improvement 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. Bonds maturing in the fiscal years 2009 through 2011 were issued as capital appreciation bonds, which mature 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, the disadvantaged pupil impact aid, and Title I special revenue funds.

The School District's overall legal debt margin was \$15,806,978, the energy conservation loan debt margin was \$1,364,981, and the unvoted debt margin was \$256,901 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Energy Conservation Loan</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$92,125	\$29,285	\$195,000	\$268,683
2005	95,000	26,244	200,000	264,732
2006	100,000	23,075	210,000	260,633
2007	100,000	19,825	230,000	256,232
2008	105,000	16,494	230,000	251,058
2009-2013	455,000	30,144	900,000	1,568,359
2014-2018	0	0	1,455,000	1,018,856
2019-2023	0	0	1,775,000	696,885
2024-2028	0	0	2,185,000	265,990
Totals	<u>\$947,125</u>	<u>\$145,067</u>	<u>\$7,380,000</u>	<u>\$4,851,428</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

16. INTERFUND ASSETS/LIABILITIES

The general fund had an interfund receivable at June 30, 2003, of \$6,918, while all other nonmajor funds had interfund payables of \$6,918. The balance is due to reimbursable expenses resulting from the time lag between the dates that reimbursable expenditures occur, transactions are recorded in the accounting, and payments between funds are made.

17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the general fund. The School District paid MDECA \$61,436 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 2003, the School District paid \$9,128 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state of local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2003, the School District paid \$270,375 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.

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 2003. 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-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

18. 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 acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks/ Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2002	(\$2,577)	\$0	\$52,637
Current Fiscal Year Set-aside Requirement	272,954	272,954	0
Qualifying Disbursements	(320,496)	(272,954)	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, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$52,637</u>

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

19. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

20. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/03</u>
Fanning/Howey Assoc, Inc.	Professional services	\$300,000	\$195,245	\$104,755
LJB, Inc.	Professional services	150,000	58,542	91,458
Keen & Cross, Inc	Asbestos tile removal	37,300	0	37,300
American Services Group	Asbestos tile removal	115,516	0	115,516
Harvey & Associates, Inc	Replace fixtures	146,861	17,017	129,844
Kerkan Roofing Inc	Roofing	334,309	175,393	158,916
Buck Run Specialties	Update restrooms	9,500	0	9,500
Federal Commercial	Professional services	152,567	80,445	72,122
Wasserstrom Company	Food service fixtures	15,278	0	15,278
Intron Labs	Floor tiling	13,020	0	13,020
JMD Architectural	Professional services	24,629	22,400	2,229
Sonitrol	Fire alarm system	10,050	0	10,050
Triad Insulation	Disposal of asbestos	7,400	0	7,400
Tackett Environmental	Asbestos removal	24,066	0	24,066
Totals		<u>\$1,340,496</u>	<u>\$549,042</u>	<u>\$791,454</u>

21. 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.

22. SUBSEQUENT EVENTS

A. Land Purchase

In August, 2003, the School District paid \$750,000 for land adjacent to the high school. The dollar amount was settled in court proceedings at the Montgomery County Common Pleas Court. This transaction was the result of an eminent domain case.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

22. SUBSEQUENT EVENTS (Continued)

B. Contractual Commitments

The School District authorized the following contractual commitments after June 30, 2003:

<u>Company</u>	<u>Project</u>	<u>Amount</u>
Harvey & Associates, Inc	H. B. 264 project	\$888,641
LJB, Inc.	Professional services	84,518
George Igel, Inc.	Stadium project	758,540
Danis Building Construction Company	Site work	5,234,000
Frost and Company	HVAC/plumbing	543,000
Mutual Electric Company	Electric and technology	789,379
Dalmation Fire, Inc.	Fire protection	39,000
Active Electric	Sports lighting	89,830
M&D Blacktop	Playground work	50,200
Service Supply Limited, Inc.	Bleachers	30,050
Sonitrol	Fire alarm system	35,370
Total		<u>\$8,542,528</u>

Most of the contracts relate to the QZAB project.

C. Issuance of Debt

On November 19, 2003, the School District approved a lease purchase agreement with Banc One Leasing Corporation for the financing of the \$4,500,000 QZAB project. Lease payments begin 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.

NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A		\$79,179		\$79,179
National School Breakfast Program	10.553	05-PU-02 05-PU-03	32,806 80,421		32,806 80,421	
Total National School Breakfast Program			113,227		113,227	
National School Lunch Program	10.555	LL-P1-03 LL-P4-02 LL-P4-03	2,291 98,436 254,402		2,291 98,436 254,402	
Total National School Lunch Program			355,129		355,129	
Total United States Department of Agriculture - Nutrition Cluster			468,356	79,179	468,356	79,179
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Grants to Local Educational Agencies (ESEA Title I)	84.010	C1-S1-02 C1-S1-03			120,176 742,513	
Total Title I			856,289		862,689	
Special Education Cluster:						
Special Education Grants to States (IDEA part B)	84.027	6B-SF-02-P 6B-SF-03-P	1,440 253,054		1,440 253,054	
Total Title VI-B			254,494		254,494	
Special Education Preschool Grant	84.173	PG-S1-03-P	5,107		5,107	
Total Special Education Cluster			259,601		259,601	
Drug Free Schools Grant	84.186	DR-S1-03	17,987		17,987	
Even Start Family Literacy	84.213	EVS-7-02 EVS-7-03			306 155,656	
Total Even Start Family Literacy			167,558		155,962	
Innovative Educational Program Strategies	84.298	C2-S1-03	15,049		15,049	
Technology Literacy Challenge Fund Grant	84.318	TJ-S1-03	23,446		23,446	
Comprehensive School Reform	84.332	RF-CC-03	99,999		89,996	
School Renovation IDEA and Technology	84.352A	AT-S2-02	5,158		5,158	
Title II-A Teacher Quality Enhancement	84.367	TR-S1-03	165,649		165,649	
Total United States Department of Education			1,610,736		1,595,537	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	93.778	N/A	55,305		55,305	
<i>Passed through Montgomery County Educational Service Center</i>						
Medical Assistance Program	93.778	N/A	2,244		2,244	
Total United States Department of Health and Human Services			57,549		57,549	
Total Federal Assistance			\$2,136,641	\$79,179	\$2,121,442	\$79,179

See accompanying notes to the Schedule of Federal Awards Expenditures.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

NOTE C - MATCHING REQUIREMENTS

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



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 45414-4528

To the Board of Education:

We have audited the financial statements of Northridge Local School District, Montgomery County (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated April 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 7, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does to 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 to matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 7, 2004.

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

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

Betty Montgomery
Auditor of State

April 7, 2004



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of Northridge Local School District, 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 its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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



Betty Montgomery
Auditor of State

April 7, 2004

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FISCAL YEAR ENDED JUNE 30, 2003**

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):	Grants to Local Educational Agencies (Title I): CFDA # 84.010
(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
MAY 13, 2004**