



Mary Taylor, CPA
Auditor of State

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District, Montgomery County, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards 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 also 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. 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 2, 2007

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

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, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets decreased \$220,824, which represents a 2.4 percent decrease from fiscal year 2005.
- General revenues accounted for \$16,453,725 in revenue or 76.5 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 \$5,055,301 or 23.5 percent of total revenues of \$21,509,026.
- The School District had \$21,729,850 in expenses; only \$5,055,301 of these expenses was offset by program specific charges for services, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$16,453,725 were inadequate to cover these programs.
- The General Fund had \$16,267,630 in revenues and \$16,837,056 in expenditures. The General Fund's balance decreased \$569,426 from fiscal year 2005.

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 fund with all other non-major 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 fiscal year 2006?" 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.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

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 Fund

Fund Financial Statements

The analysis of the School District's major fund begins on page 7. Fund financial statements provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the General Fund.

Governmental Funds

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

Fiduciary Funds

The School District's only fiduciary fund is an agency fund. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal years 2006 and 2005:

Table 1			
Net Assets			
Governmental Activities			
	2006	2005 (restated)	Change
Assets:			
Current and Other Assets	\$18,533,482	\$20,960,132	(\$2,426,650)
Capital Assets	14,224,909	13,959,682	265,227
Total Assets	32,758,391	34,919,814	(2,161,423)
Liabilities:			
Long-Term Liabilities	13,378,944	13,717,426	(338,482)
Other Liabilities	10,266,620	11,868,737	(1,602,117)
Total Liabilities	23,645,564	25,586,163	(1,940,599)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,401,512	1,830,759	570,753
Restricted	1,135,700	1,429,052	(293,352)
Unrestricted	5,575,615	6,073,840	(498,225)
Total Net Assets	\$9,112,827	\$9,333,651	(\$220,824)

In total, net assets decreased \$220,824. Total assets of governmental activities decreased by \$2,161,423, mainly because of the decrease in cash and cash equivalents. The significant decrease in cash and cash equivalents was due to expenditures exceeding revenues primarily from payments for the completion of the building projects. 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, also decreased, which was due to increased expenditures, particularly operation and maintenance of plant, along with Energy Conservation Loan payments and capital lease payments.

Table 2 shows the changes in net assets for the fiscal years 2006 and 2005.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

**Table 2
Changes in Net Assets**

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for Services	\$674,281	\$785,082	(\$110,801)
Operating Grants, Interest and Contributions	4,343,060	3,951,975	391,085
Capital Grants, Interest and Contributions	37,960	389,434	(351,474)
Total Program Revenues	<u>5,055,301</u>	<u>5,126,491</u>	<u>(71,190)</u>
General Revenues:			
Property Taxes	10,193,753	8,705,506	1,488,247
Grants and Entitlements not Restricted to Specific Programs	5,849,483	5,647,790	201,693
Investment Earnings	350,324	211,300	139,024
Gifts and Donations	28,510	26,504	2,006
Miscellaneous	31,655	115,668	(84,013)
Total General Revenues	<u>16,453,725</u>	<u>14,706,768</u>	<u>1,746,957</u>
Total Revenues	<u>21,509,026</u>	<u>19,833,259</u>	<u>1,675,767</u>
Program Expenses:			
Instruction:			
Regular	8,950,473	9,066,371	(115,898)
Special	2,869,920	2,831,848	38,072
Vocational	442,134	424,111	18,023
Student Intervention Services	249,172		249,172
Support Services:			
Pupils	1,369,088	1,294,883	74,205
Instructional Staff	594,984	691,772	(96,788)
Board of Education	24,833	15,441	9,392
Administration	1,749,415	1,897,287	(147,872)
Fiscal	\$372,971	\$398,528	(\$25,557)
Business	\$176,720	\$204,385	(\$27,665)
Operation and Maintenance of Plant	1,878,555	1,934,347	(55,792)
Pupil Transportation	909,119	1,019,181	(110,062)
Central	45,291	57,602	(12,311)
Operation of Non-Instructional Services	944,669	847,722	96,947
Extracurricular Activities	795,982	721,263	74,719
Interest and Fiscal Charges	356,524	361,535	(5,011)
Total Expenses	<u>21,729,850</u>	<u>21,766,276</u>	<u>(36,426)</u>
Decrease in Net Assets	(220,824)	(1,933,017)	
Net Assets at Beginning of Year	9,333,651	11,266,668	
Net Assets at End of Year	<u>\$9,112,827</u>	<u>\$9,333,651</u>	(restated)

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

Governmental Activities

The significant decrease in capital grants was due to donated capital assets from the Ohio Department of Transportation of land and a building in the prior fiscal year. During the previous fiscal year, the School District also purchased a trucking terminal on the corner of Timber Lane.

The decrease in instructional staff during fiscal year 2006 was due primarily to a reduction in the work force; teachers that retired were not replaced.

The decrease in administration support services during fiscal year 2006 was due primarily to the elimination of a federal program coordinator position.

The decrease in pupil transportation during fiscal year 2006 was due primarily to the elimination of a summer program that the School District was involved with in the prior fiscal year.

During fiscal year 2006, non-instructional services showed an increase because of the maintenance and upkeep of new facilities.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 47.4 percent of revenues for governmental activities for the Northridge Local School District for fiscal year 2006.

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

Table 3

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Instruction	\$12,511,699	(\$9,796,235)	\$12,322,330	(\$9,694,150)
Support Services:				
Pupils	1,369,088	(1,086,398)	1,294,883	(894,619)
Instructional Staff	594,984	(278,050)	691,772	(475,923)
Board of Education	24,833	(24,833)	15,441	(15,441)
Administration	1,749,415	(1,615,406)	1,897,287	(1,774,294)
Fiscal	372,971	(255,688)	398,528	(398,528)
Business	176,720	(176,720)	204,385	(204,385)
Operation and Maintenance of Plant	1,878,555	(1,794,463)	1,934,347	(1,803,830)
Pupil Transportation	909,119	(695,508)	1,019,181	(403,343)
Central	45,291	(38,922)	57,602	(36,195)
Operation of Non-Instructional Services	944,669	30,576	847,722	(25,948)
Extracurricular Activities	795,982	(586,378)	721,263	(551,594)
Interest and Fiscal Charges	356,524	(356,524)	361,535	(361,535)
Total Expenses	\$21,729,850	(\$16,674,549)	\$21,766,276	(\$16,639,785)

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

The School District's Funds

Information about the School District's major fund starts on page 13. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,228,949 and expenditures of \$22,329,760. The net change in fund balance for the fiscal year in the General Fund was (\$569,426).

The net change in fund balance in the General Fund was caused by increases in expenditures, particularly support services: pupils and operation of non-instructional services, along with Energy Conservation Loan payments and capital lease payments.

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 2006, the School District amended its Annual Appropriations several times; the General Fund was amended only once in June in the amount of (\$500,002). For original appropriations, all estimated resources and available fund balances are appropriated; therefore an adjustment was made to final appropriations to more accurately reflect estimated expenditures. Final appropriations were adopted in June. Actual expenditures were less than final appropriations in the amount of \$815,810, because of prior fiscal year encumbrances from several construction projects.

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 increased \$84,855 from the original budgeted estimates. The changes were due to a number of items. There was a decrease in the estimated taxes that was offset by increases of revenue in other areas that were not anticipated. A payment for rental of property was received in June rather than July as in previous fiscal years. The School District also received additional revenue from the e-rate reimbursement program, as well as refunds from prior years' expenditure for electric and gas services. Actual revenues matched final budget basis revenue.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

Capital Assets

At the end of the fiscal year 2006, the School District had \$14,224,909 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2006 balances compared to fiscal year 2005.

**Table 4
Capital Assets (Net of Depreciation)**

	2006	2005 (restated)
Land	\$1,389,583	\$1,201,500
Construction in Progress		155,851
Land Improvements	558,679	372,043
Buildings and Improvements	11,265,354	11,106,382
Furniture and Equipment	872,868	925,988
Vehicles	138,425	197,918
Totals	\$14,224,909	\$13,959,682

Overall capital assets increased \$265,227 from fiscal year 2005 to fiscal year 2006 primarily due to additions exceeding current fiscal year depreciation expense. The majority of additions during the fiscal year were for buildings and improvements, land improvements, and for additional furniture and equipment. Construction in progress, for buildings and improvements, and the stadium was completed by the end of the fiscal year.

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

Debt Administration

At June 30, 2006, the School District had \$7,435,000 in bonds and loans outstanding, as well as \$128,835 of accretion on capital appreciation bonds outstanding and a premium on bonds in the amount of \$112,731. \$330,000 represents the amount of bonds and loans due within one year. The School District also had capital leases payable at fiscal year-end of \$4,500,000.

During fiscal year 2004, the School District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of \$4,500,000 for building renovations. The School District makes annual interest payments to the lesser in the amount of \$30,600 and annual sinking fund payments to the escrow agent in the amount of \$229,555. On November 19, 2018, the \$4,500,000 principal is due, along with another \$30,600 in interest.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

Table 5 summarizes the debt outstanding:

**Table 5
Outstanding Debt, at Fiscal Year-End
Governmental Activities**

	2006	2005
Energy Conservation Loan	\$660,000	\$760,000
School Improvement Bonds	6,775,000	6,985,000
Accretion on Capital Appreciation Bonds	128,835	85,314
Totals	\$7,563,835	\$7,830,314

The School District's overall legal debt margin was \$8,834,607, the energy conservation loan debt margin was \$883,575, and the unvoted debt margin was \$171,508 at June 30, 2006. 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 has planned budget cuts for fiscal year 2007, fiscal year 2008, fiscal year 2009, and fiscal year 2010. House bill 66 created major changes in school funding, particularly for Northridge Local Schools. A primary source of revenue will be eliminated by 2010, and the State hold harmless clause with it. The School District will be addressing a long-term plan to account for this major shift in the tax base of the School District.

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, 2006**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$7,489,652
Cash and Cash Equivalents in Segregated Accounts	2,000
Accrued Interest Receivable	11,748
Intergovernmental Receivable	218,117
Accounts Receivable	6,400
Prepaid Items	48,194
Materials and Supplies Inventory	32,774
Property Taxes Receivable	10,153,884
Deferred Charges	111,603
Investments with Escrow Agent	459,110
Nondepreciable Capital Assets	1,389,583
Depreciable Capital Assets, Net	12,835,326
Total Assets	32,758,391
 Liabilities:	
Accounts Payable	28,936
Contracts Payable	17,046
Accrued Wages and Benefits Payable	994,013
Matured Compensated Absences Payable	108,107
Accrued Interest Payable	41,344
Retainage Payable	124,950
Intergovernmental Payable	550,833
Deferred Revenue	8,401,391
Long-Term Liabilities:	
Due Within One Year	501,649
Due in More Than One Year	12,877,295
Total Liabilities	23,645,564
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,401,512
Restricted for:	
Debt Service	81,756
Capital Outlay	138,986
Food Service	368,042
Other Purposes	35,169
Set-Asides	52,637
Future Debt Service Payments	459,110
Unrestricted	5,575,615
Total Net Assets	\$9,112,827

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	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	\$8,950,473	\$75,295	\$1,185,715		(\$7,689,463)
Special	2,869,920	1,274	1,197,692		(1,670,954)
Vocational	442,134		18,419		(423,715)
Student Intervention Services	249,172		237,069		(12,103)
Support Services:					
Pupils	1,369,088		282,690		(1,086,398)
Instructional Staff	594,984		316,934		(278,050)
Board of Education	24,833				(24,833)
Administration	1,749,415		134,009		(1,615,406)
Fiscal	372,971		117,283		(255,688)
Business	176,720				(176,720)
Operation and Maintenance of Plant	1,878,555		65,148	\$18,944	(1,794,463)
Pupil Transportation	909,119	128,205	66,390	19,016	(695,508)
Central	45,291		6,369		(38,922)
Operation of Non-Instructional Services	944,669	268,270	706,975		30,576
Extracurricular Activities	795,982	201,237	8,367		(586,378)
Interest and Fiscal Charges	356,524				(356,524)
Total Governmental Activities	<u><u>\$21,729,850</u></u>	<u><u>\$674,281</u></u>	<u><u>\$4,343,060</u></u>	<u><u>\$37,960</u></u>	<u><u>(16,674,549)</u></u>
General Revenues:					
Property Taxes Levied for:					
General Purposes					9,773,745
Debt Service					420,008
Grants and Entitlements not Restricted to Specific Programs					5,849,483
Investment Earnings					350,324
Gifts and Donations					28,510
Miscellaneous					31,655
Total General Revenues					<u>16,453,725</u>
Change in Net Assets					(220,824)
Net Assets at Beginning of Year - Restated (Note 3)					9,333,651
Net Assets at End of Year					<u><u>\$9,112,827</u></u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$6,381,033	\$1,036,966	\$7,417,999
Cash and Cash Equivalents In Segregated Accounts		2,000	2,000
Receivables:			
Property Taxes	9,648,516	505,368	10,153,884
Accounts	6,400		6,400
Intergovernmental	129,063	89,054	218,117
Accrued Interest	11,748		11,748
Materials and Supplies Inventory	10,898	21,876	32,774
Prepaid Items	47,144	1,050	48,194
Restricted Assets:			
Investments with Escrow Agents	459,110		459,110
Equity in Pooled Cash and Cash Equivalents	71,653		71,653
Total Assets	<u><u>\$16,765,565</u></u>	<u><u>\$1,656,314</u></u>	<u><u>\$18,421,879</u></u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$22,324	\$6,612	\$28,936
Contracts Payable		17,046	17,046
Accrued Wages and Benefits Payable	793,424	200,589	994,013
Intergovernmental Payable	464,964	85,869	550,833
Deferred Revenue	9,327,559	484,961	9,812,520
Matured Compensated Absences Payable	107,969	138	108,107
Retainage Payable		124,950	124,950
Total Liabilities	<u><u>10,716,240</u></u>	<u><u>920,165</u></u>	<u><u>11,636,405</u></u>
Fund Balances:			
Reserved for Encumbrances	403,524	194,211	597,735
Reserved for Property Taxes	320,957	20,407	341,364
Reserved for Bus Purchases	19,016		19,016
Reserved for Future Debt Service Payments	459,110		459,110
Reserved for Budget Stabilization	52,637		52,637
Unreserved, Undesignated (Deficit), Reported in:			
General Fund	4,794,081		4,794,081
Special Revenue Funds		425,262	425,262
Debt Service Fund		153,446	153,446
Capital Projects Funds		(57,177)	(57,177)
Total Fund Balances	<u><u>6,049,325</u></u>	<u><u>736,149</u></u>	<u><u>6,785,474</u></u>
Total Liabilities and Fund Balances	<u><u>\$16,765,565</u></u>	<u><u>\$1,656,314</u></u>	<u><u>\$18,421,879</u></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, 2006**

Total Governmental Fund Balances		\$6,785,474
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	\$1,389,583	
Land Improvements	1,504,569	
Buildings and Improvements	18,474,894	
Furniture and Equipment	5,770,714	
Vehicles	843,547	
Accumulated Depreciation	<u>(13,758,398)</u>	
Total Capital Assets		14,224,909
<p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
Property Taxes		1,411,129
<p>Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.</p>		
		111,603
<p>Long-term liabilities, including bonds and loans payable, accrued interest payable, and capital leases are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:</p>		
Accrued Interest Payable	(41,344)	
Energy Conservation Loan	(660,000)	
Premium on Bonds	(112,731)	
Accretion of Capital Appreciation Bonds	(128,835)	
General Obligation Bonds	(6,775,000)	
Capital Leases	(4,500,000)	
Compensated Absences	<u>(1,202,378)</u>	
Total Liabilities		<u>(13,420,288)</u>
Net Assets of Governmental Activities		<u>\$9,112,827</u>

See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property Taxes	\$9,408,138	\$477,249	\$9,885,387
Intergovernmental	6,213,799	3,999,555	10,213,354
Interest	349,145	25,270	374,415
Tuition and Fees	203,500		203,500
Extracurricular Activities	19,581	120,226	139,807
Charges for Services		272,932	272,932
Rent	58,042		58,042
Gifts and Donations	7,500	42,357	49,857
Miscellaneous	7,925	23,730	31,655
Total Revenues	<u>16,267,630</u>	<u>4,961,319</u>	<u>21,228,949</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,354,311	1,186,490	8,540,801
Special	1,896,529	966,076	2,862,605
Vocational	437,806		437,806
Student Intervention Services		249,172	249,172
Support Services:			
Pupils	905,233	464,841	1,370,074
Instructional Staff	390,841	168,949	559,790
Board of Education	24,833		24,833
Administration	1,554,763	176,019	1,730,782
Fiscal	362,822	6,660	369,482
Business	177,468		177,468
Operation and Maintenance of Plant	1,739,457	65,069	1,804,526
Pupil Transportation	774,413	63,198	837,611
Central	39,089	6,202	45,291
Operation of Non-Instructional Services	2,492	922,497	924,989
Extracurricular Activities	468,578	107,023	575,601
Capital Outlay	554,127	639,875	1,194,002
Debt Service:			
Principal Retirement	100,599	210,000	310,599
Interest and Fiscal Charges	53,695	260,633	314,328
Total Expenditures	<u>16,837,056</u>	<u>5,492,704</u>	<u>22,329,760</u>
Excess of Revenues Under Expenditures	<u>(569,426)</u>	<u>(531,385)</u>	<u>(1,100,811)</u>
Other Financing Sources (Uses):			
Transfers In		3,861	3,861
Transfers Out		(3,861)	(3,861)
Total Other Financing Sources (Uses)		<u>(3,861)</u>	<u>(3,861)</u>
Net Change in Fund Balances	(569,426)	(531,385)	(1,100,811)
Fund Balances at Beginning of Year	6,618,751	1,267,534	7,886,285
Fund Balances at End of Year	<u>\$6,049,325</u>	<u>\$736,149</u>	<u>\$6,785,474</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, 2006**

Net Change in Fund Balances - Total Governmental Funds (\$1,100,811)

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	1,194,002	
Current Year Depreciation Expense	(891,811)	
Excess of Capital Outlay over Depreciation Expense	302,191	302,191

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.

Loss on Disposal of Capital Assets		(36,964)
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Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of:

Energy Conservation Loan Payments	100,000	
General Obligation Bond Principal Payments	210,000	
Capital Lease Payments	599	
	310,599	310,599

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:

Amortization of Premium on Bonds	5,124	
Accretion of Capital Appreciation Bonds	(43,521)	
Net Decrease in Accrued Interest Payable	1,274	
Net Amortization of Bond Issuance Costs (Deferred Charges)	(5,073)	
	(42,196)	(42,196)

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	308,366	
Interest	(5,147)	
Intergovernmental Grants	(23,142)	
	280,077	280,077

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

Decrease in Compensated Absences		66,280
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Change in Net Assets of Governmental Activities		(\$220,824)
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See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$10,655,710	\$9,432,008	\$9,432,008	
Intergovernmental	4,971,902	6,116,324	6,116,324	
Interest	269,811	331,916	331,916	
Tuition and Fees	196,394	241,599	241,599	
Extracurricular Activities	16,344	20,106	20,106	
Rent	87,435	107,561	107,561	
Gifts and Donations	6,097	7,500	7,500	
Miscellaneous	1,369	1,684	1,684	
Total Revenues	<u>16,205,062</u>	<u>16,258,698</u>	<u>16,258,698</u>	
Expenditures:				
Current:				
Instruction:				
Regular	7,760,897	7,299,667	7,394,968	(\$95,301)
Special	1,922,419	1,821,277	1,942,127	(120,850)
Vocational	432,807	318,002	437,044	(119,042)
Support Services:				
Pupils	850,368	998,374	943,901	54,473
Instructional Staff	452,988	355,763	400,961	(45,198)
Board of Education	20,219	14,622	21,608	(6,986)
Administration	1,797,991	1,998,352	1,677,913	320,439
Fiscal	378,853	443,133	394,635	48,498
Business	193,708	193,238	192,028	1,210
Operation and Maintenance of Plant	1,975,352	2,420,451	1,897,135	523,316
Pupil Transportation	939,932	1,087,822	806,406	281,416
Central	53,614	38,773	47,899	(9,126)
Operation of Non-Instructional Services	11,813	8,543	2,492	6,051
Extracurricular Activities	492,356	305,232	483,969	(178,737)
Capital Outlay	1,511,095	1,032,218	849,759	182,459
Debt Service:				
Principal Retirement	100,000	100,000	100,000	
Interest and Fiscal Charges	152,121	53,675	53,675	
Total Expenditures	<u>19,046,533</u>	<u>18,489,142</u>	<u>17,646,520</u>	<u>842,622</u>
Excess of Revenues Under Expenditures	<u>(2,841,471)</u>	<u>(2,230,444)</u>	<u>(1,387,822)</u>	<u>842,622</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets		340	340	
Sinking Fund Payment	(143,416)	(200,805)	(229,555)	(28,750)
Refund of Prior Year Expenditures		30,879	30,879	
Refund of Prior Year Receipts	(2,019)	(2,019)	(81)	1,938
Advances - In			15,000	15,000
Advances - Out			(15,000)	(15,000)
Total Other Financing Sources (Uses)	<u>(145,435)</u>	<u>(171,605)</u>	<u>(198,417)</u>	<u>(26,812)</u>
Net Change in Fund Balance	(2,986,906)	(2,402,049)	(1,586,239)	815,810
Fund Balance at Beginning of Year	6,842,559	6,842,559	6,842,559	
Prior Year Encumbrances Appropriated	691,995	691,995	691,995	
Fund Balance at End of Year	<u>\$4,547,648</u>	<u>\$5,132,505</u>	<u>\$5,948,315</u>	<u>\$815,810</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, 2006**

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$33,904</u></u>
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Liabilities:

Due to Students	<u><u>\$33,904</u></u>
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See accompanying notes to the basic financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 seven square miles. It is located in Montgomery County.

A. Reporting Entity:

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

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

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

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements:

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

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

2. Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. 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, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds:

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

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.

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

C. Measurement Focus

1. Government-wide Financial Statements:

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(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

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

1. Revenues - Exchange and Non-exchange Transactions:

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

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(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, 2006, but which were levied to finance fiscal year 2007 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 cost, such as depreciation and amortization are not recognized in governmental funds.

E. Cash and Cash Equivalents

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

During fiscal year 2006, the School District invested in Federal National Mortgage Association Notes, Federal National Mortgage Association Discount Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Company Notes, Federal Home Loan Mortgage Company Discount Notes, Federal Farm Credit Bank Notes, U.S. Treasury Notes, First American Treasury Obligation Money Market Mutual Fund, U.S. Treasury Money Market Mutual Fund, and the State Treasury Asset Reserve of Ohio (STAROhio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$349,145, which includes \$49,921 assigned from other School District funds.

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required by statute to be set-aside by the School District to create a reserve for budget stabilization and revenues restricted for the purchase of buses and future debt service payments.

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

Bond premiums and issuance costs incurred are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal 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.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the current period.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost which is determined by

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-20 years
Buildings and Improvements	20-50 years
Furniture and Equipment	8-20 years
Vehicles	10-15 years

K. Accrued Liabilities and Long-term Obligations

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

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

L. Compensated Absences

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

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

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

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

The government-wide statement of net assets reports \$1,135,700 of restricted net assets, of which none are restricted by enabling legislation.

N. Fund Balance Reserves

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

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

O. Interfund Transactions

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

P. Estimates

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that were in effect at the time the final appropriations were passed. Prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances 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 Treasurer has been given the authority to allocate the Board's appropriations to the function and object level. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS

A. Changes in Accounting Principles

For fiscal year 2006, the School District has implemented *GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,"* and *GASB Statement No. 47, "Accounting for Termination Benefits."*

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the School District's financial statements for fiscal year 2006.

GASB Statement No. 47 establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the School District's financial statements for fiscal year 2006.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS (Continued)

B. Restatement of Prior Year Net Assets

During fiscal year 2006, accounting changes were applied to capital assets from the prior fiscal year. The effect of these changes had the following affect on net assets:

	Governmental Activities
Net Assets June 30, 2005	\$10,090,821
Capital Asset Adjustments	(757,170)
Restated Net Assets June 30, 2005	\$9,333,651

4. ACCOUNTABILITY

At June 30, 2006, the Preschool Grant, Disadvantaged Pupil Impact Aid, Poverty Based Assistance, Title VI-B, and Title VI-R Funds had deficit fund balances of \$626, \$2,584, \$59,881, \$1,777, and \$3,591 respectively. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

Net Change in Fund Balance	
	General
GAAP Basis	(\$569,426)
Revenue Accruals	23,237
Expenditure Accruals	(547,101)
Encumbrances	(498,185)
Change in Fair Value of Investments FY06	6,186
Change in Fair Value of Investments FY05	(950)
Budget Basis	(\$1,586,239)

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

- 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
- 7. The State Treasurer's investment pool (STAROhio); and,
- 8. Commercial paper and bankers acceptances if training requirements have been met.

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$3,421,054 of the School District's bank balance of \$3,821,954 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

B. Investments

As of June 30, 2006, the School District had the following investments. Except for the investment held by escrow agent for the lease purchase agreement, all investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>	
		<u>Less Than 1 Year</u>	<u>1-2 Years</u>
Federal National Mortgage Association Notes	\$301,323	\$241,567	\$59,756
Federal National Mortgage Association Discount Notes	99,170	99,170	
Federal Home Loan Bank Bonds	134,820	134,820	
Federal Home Loan Mortgage Company Notes	357,903	198,809	159,094
Federal Home Loan Mortgage Company Discount Notes	193,697	193,697	
Federal Farm Credit Bank Notes	98,063		98,063
U.S. Treasury Notes	44,612	44,612	
First American Treasury Obligation Money			
Market Mutual Fund	354,488	354,488	
U.S. Treasury Money Market Mutual Fund	771,145	771,145	
STAROhio	2,142,880	2,142,880	
	<u>\$4,498,101</u>	<u>\$4,181,188</u>	<u>\$316,913</u>

Interest Rate Risk – The School District's investment policy addresses interest rate risk and follows State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – The Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Company Notes, Federal Farm Credit Bank Notes, U.S. Treasury Notes, First American Treasury Obligation Money Market Mutual Fund, and U.S. Treasury Money Market Mutual Fund carry a rating of Aaa by Moody's. The Federal National Mortgage Association Discount Notes and Federal Home Loan Mortgage Company Discount Notes earn the highest credit ratings for short-term investments from Moody's (P-1). STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or backed by the enterprises of the United States Government.

Concentration of Credit Risk – The School District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The School District's investments in The Federal National Mortgage Association Notes and Federal Home Loan Mortgage Company Notes represent 6.70 percent and 7.96 percent, respectively, of the School District's total investments.

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 year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar year 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2006, are available to finance fiscal year 2006 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, 2006 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 at June 30, 2006 was \$320,957 in the General Fund and \$20,407 in the Bond Retirement Fund. The amount available as an advance at June 30, 2005, was \$344,827 in the General Fund and \$27,247 in the Bond Retirement Fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second – Half Collections		2006 First – Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$155,897,880	68.02%	\$168,060,690	74.43%
Public Utility Personal	5,850,060	2.55	5,653,440	2.50
General Business Personal	67,439,229	29.43	52,085,938	23.07
Total	\$229,187,169	100.00%	\$225,800,068	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$54.25		\$54.25	

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes, accounts (tuition and student fees), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Tuition	\$7,829
Professional Development	8,120
Title I	16,058
Preschool Grant	241
Transportation Reimbursement	107,727
Workers' Compensation Reimbursement	5,387
Food Service	72,755
Total	\$218,117

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	Restated Balance 6/30/05	Additions	Deductions	Balance 6/30/06
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$1,201,500	\$188,083		\$1,389,583
Construction in Progress	155,851	265,901	(\$421,752)	
Total Capital Assets, not Being Depreciated	1,357,351	453,984	(421,752)	1,389,583
Capital Assets, Being Depreciated:				
Land Improvements	1,266,967	237,602		1,504,569
Buildings and Improvements	17,772,341	702,553		18,474,894
Furniture and Equipment	5,618,030	221,615	(68,931)	5,770,714
Vehicles	843,547		0	843,547
Total Capital Assets, Being Depreciated	25,500,885	1,161,770	(68,931)	26,593,724
Less Accumulated Depreciation:				
Land Improvements	(894,924)	(50,966)		(945,890)
Buildings and Improvements	(6,665,959)	(543,581)		(7,209,540)
Furniture and Equipment	(4,692,042)	(237,771)	31,967	(4,897,846)
Vehicles	(645,629)	(59,493)		(705,122)
Total Accumulated Depreciation	(12,898,554)	(891,811) *	31,967	(13,758,398)
Capital Assets, Being Depreciated, Net	12,602,331	269,959	(36,964)	12,835,326
Governmental Activities Capital Assets, Net	\$13,959,682	\$723,943	(\$458,716)	\$14,224,909

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$469,862
Special	9,588
Vocational	3,311
Support Services:	
Pupils	17,854
Instructional Staff	31,062
Administration	20,654
Fiscal	1,736
Operation and Maintenance of Plant	31,063
Pupil Transportation	64,936
Operation of Non-Instructional Services	21,364
Extracurricular Activities	220,381
Total Depreciation Expense	<u><u>\$891,811</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 2006, the School District contracted with Indiana Insurance for property and fleet insurance. The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). The School District contracts for education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with OSP.

The types and amounts of coverage includes:

Building and Contents – replacement cost	\$60,767,800
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured/Underinsured Motorists	500,000
Medical Expense	5,000
Education General Liability:	
Bodily Injury and Property Damage – Each Occurrence	1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. RISK MANAGEMENT (Continued)

Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Bodily Injury and Property Damage – Each Occurrence	1,000,000
Disease – Each Employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Employment Practices (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Violent Act	
Any Named Member or Covered Member	25,000
EMT charges	5,000
Medical Expense (In Excess of \$25,000 per person)	25,000

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

B. Workers' Compensation

For fiscal year 2006, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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 participants 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 2006, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 16). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participants is calculated and a premium rate is applied to all participants 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 participants 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, 2006
(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, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$270,262, \$295,823, and \$235,781, respectively; 44.89 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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, 2006
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years of 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, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,094,534 \$1,180,513, and \$1,070,168, respectively; 83.65 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$10,876 made by the School District and \$14,819 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, 2006, four 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 partial 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 retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$84,195 for fiscal year 2006.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

12. POST-EMPLOYMENT BENEFITS (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$138,829.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive 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. Vision, Dental and Life Insurance

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, 2006
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal 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 \$14,154, leaving a book value of \$4,718. Principal payments made during fiscal year 2006 totaled \$599 in the General Fund, which was the final payment.

The School District has entered into a lease agreement for a renovation project involving the buildings of the School District. As part of the agreement, Banc One Leasing Corporation, as lessor, deposited \$4,500,000 in the School District's name, with an escrow agent for the renovations to the buildings. Amounts will be paid to contractors by the School District as the work progresses. As of June 30, 2005, the work had been completed. The School District makes annual interest payments to the lessor and annual sinking fund payments to the escrow agent. The escrow agent is investing the School District's deposits and has guaranteed a return on the investments to meet the School District's lease liability. Banc One will be repaid in fiscal year 2019 when the \$4,500,000 lease payment is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the lease is paid timely. The School District is current on the deposits.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006.

Fiscal Year Ending June 30,	Amount
2007	\$30,600
2008	30,600
2009	30,600
2010	30,600
2011	30,600
2012-2016	153,000
2017-2019	4,591,800
Total	4,897,800
Less: Amount Representing Interest	(397,800)
Present Value of Minimum Lease Payments	\$4,500,000

The following is a schedule of the interest and sinking fund payments required under the lease and escrow agreements:

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payment</u>	<u>Sinking Fund Payments</u>
2007	\$0	\$30,600	\$30,600	\$229,555
2008	0	30,600	30,600	229,555
2009	0	30,600	30,600	229,555
2010	0	30,600	30,600	229,555
2011	0	30,600	30,600	229,555
2012-2016	0	153,000	153,000	1,147,775
2017-2019	4,500,000	91,800	4,591,800	459,110
	<u>\$4,500,000</u>	<u>\$397,800</u>	<u>\$4,897,800</u>	<u>\$2,754,660</u>

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

<u>Types / Issues</u>	<u>Balance 6/30/05</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/06</u>	<u>Due Within One Year</u>
Governmental Activities:					
2003 Energy Conservation Loan 3.25%	\$760,000		\$100,000	\$660,000	\$100,000
2003 School Improvement Bonds:					
Serial Bonds 2.00-4.40%	5,225,000		210,000	5,015,000	230,000
Term Bonds 4.75%	1,370,000			1,370,000	
Capital Appreciation Bonds 9.27-10.08%	390,000			390,000	
Accretion on Capital Appreciation Bonds	85,314	\$43,521		128,835	
Amortization of Premium	117,855		5,124	112,731	
Total Long-Term Debt	7,948,169	43,521	315,124	7,676,566	330,000
Compensated Absences Payable	1,268,658	102,482	168,762	1,202,378	171,649
Capital Lease Payable	4,500,599		599	4,500,000	
Total - General Long-Term Obligations	<u>\$13,717,426</u>	<u>\$146,003</u>	<u>\$484,485</u>	<u>\$13,378,944</u>	<u>\$501,649</u>

2003 Energy Conservation Loan - On June 16, 2003, Northridge Local School District 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 debt will be retired from the anticipated savings over the ten years and will be paid from the General Fund.

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

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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

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

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

The capital appreciation bonds, issued at \$390,000, will mature in fiscal years 2009 through 2011 in the principal amounts on the dates and will bear interest compounded semiannually on June 1 and December 1 of each year beginning in fiscal year 2009; at the compounding rates per year. The maturity amount of the capital appreciation bonds is \$1,479,547. For fiscal year 2006, the capital appreciation bonds were accreted \$43,521.

The Capital lease will be paid from the General Fund. Compensated absences will be paid from the General, Food Service, Poverty Based Assistance, and Title I Funds.

The School District's overall legal debt margin was \$8,834,607, the energy conservation loan debt margin was \$883,575, and the unvoted debt margin was \$171,508 at June 30, 2006.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2006, are as follows:

<u>Fiscal Year</u>	<u>Energy Conservation Loan</u>	
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$100,000	\$19,825
2008	105,000	16,494
2009	110,000	13,000
2010	110,000	9,425
2011	115,000	5,769
2012	120,000	1,950
Totals	<u>\$660,000</u>	<u>\$66,463</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

School Improvement General Obligation Bonds						
Fiscal year Ending June 30,	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$230,000	\$191,159		\$65,075		
2008	230,000	185,984		65,075		
2009		183,109		65,075	\$135,000	\$100,000
2010		183,109		65,075	130,000	120,000
2011		183,109		65,075	125,000	125,000
2012-2016	1,350,000	798,459		325,375		
2017-2021	1,635,000	511,284		325,375		
2022-2026	1,570,000	140,013	\$435,000	315,044		
2027-2028			935,000	45,006		
Total	<u>\$5,015,000</u>	<u>\$2,376,226</u>	<u>\$1,370,000</u>	<u>\$1,336,175</u>	<u>\$390,000</u>	<u>\$345,000</u>

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties 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 the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The School District paid MDECA \$71,111 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 2006, the School District paid \$1,020 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2006, the School District paid \$6,224 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, 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 2006. 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 the 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 fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

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

17. SET-ASIDE CALCULATIONS

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

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

<u>Company</u>	<u>Textbooks/ Instructional Materials</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2005	(\$82,516)		\$52,637
Current Fiscal Year Set-aside Requirement	259,727	\$259,727	
Current Fiscal Year Offsets		(256,435)	
Qualifying Disbursements	(297,336)	(3,292)	
Totals	<u>(\$120,125)</u>	<u>\$0</u>	<u>\$52,637</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$120,125)</u>	<u>\$0</u>	<u>\$52,637</u>
Set-aside Reserve Balance as of June 30, 2006	<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 below zero. The extra amount for textbooks/instructional materials may be used to reduce the set-aside requirements in future fiscal years.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

18. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

19. INTERFUND TRANSACTIONS

There were no interfund receivables/payables at the end of the fiscal year. However, a transfer in the amount of \$3,861 from the DARE Fund to the Principals Fund was made during the fiscal year. The DARE program ended due to a lack of funding, and the Sheriff permitted the School District to allocate the money at its discretion.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2006**

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>						
Food Donation	10.550	N/A		\$82,009		\$82,009
Nutrition Cluster						
School Breakfast Program	10.553	05-PU-2005	\$44,379		\$44,379	
		05-PU-2006	113,906		113,906	
Total School Breakfast Program			<u>158,285</u>		<u>158,285</u>	
National School Lunch Program	10.555	LL-P1-2005	1,060		1,060	
		LL-P1-2006	4,910		4,910	
		LL-P4 2005	115,639		115,639	
		LL-P4 2006	295,003		295,003	
Total National School Lunch Program			<u>416,612</u>		<u>416,612</u>	
Total Nutrition Cluster			<u>574,897</u>		<u>574,897</u>	
Total United States Department of Agriculture			<u>574,897</u>	<u>82,009</u>	<u>574,897</u>	<u>82,009</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1 2005			13,803	
		C1-S1 2006	701,875		645,192	
Total Title I Grants to Local Educational Agencies			<u>701,875</u>		<u>658,995</u>	
Special Education Cluster:						
Special Education Grants to States	84.027	6B-SF 2005	(48,496)		4,459	
		6B-SF 2006	565,673		560,406	
Total Special Education Grants to States			<u>517,177</u>		<u>564,865</u>	
Special Education - Preschool Grant	84.173	PG-S1-2006	6,856		6,122	
Total Special Education Cluster			<u>524,033</u>		<u>570,987</u>	
Safe and Drug Free Schools and Communities - State Grants	84.186	DR-S1 2006	17,284		17,284	
Even Start - State Educational Agencies	84.213	EV-S1-2005	16,650		22,825	
		EV-S1-2006	111,369		109,772	
Total Even Start - State Educational Agencies			<u>128,019</u>		<u>132,597</u>	
State Grants for Innovative Programs	84.298	C2-S1-2006	5,950		5,950	
Education Technology State Grant	84.318	TJ-S1-2006	12,770		12,770	
Improving Teacher Quality State Grants	84.367	TR-S1-2005	(8,414)		9,843	
		TR-S1-2006	186,747		186,748	
Total Improving Teacher Quality State Grants			<u>178,333</u>		<u>196,591</u>	
Hurricane Education Recovery	84.938	HR-01-2006	2,000		2,000	
Total United States Department of Education			<u>1,570,264</u>		<u>1,597,174</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of MRDD</i>						
State Children's Insurance Program	93.767	N/A	2,727		2,727	
Medical Assistance Program	93.778	N/A	28,707		28,707	
<i>Passed Through Montgomery County Educational Service Center</i>						
Medical Assistance Program			1,969		1,969	
Total Medical Assistance Program			<u>30,676</u>		<u>30,676</u>	
Total U.S. Department of Health and Human Services			<u>33,403</u>		<u>33,403</u>	
Total Federal Assistance			<u>\$2,178,564</u>	<u>\$82,009</u>	<u>\$2,205,474</u>	<u>\$82,009</u>

The Notes to the Schedule of Federal Awards Expenditures are an integral part of this Statement.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - 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.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northridge Local School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 2, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 2, 2007, we reported other matters related to noncompliance we deemed immaterial.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402

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www.auditor.state.oh.us

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

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

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

Mary Taylor, CPA
Auditor of State

March 2, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Northridge Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Northridge Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Mary Taylor, CPA
Auditor of State

March 2, 2007

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

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 noncompliance 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):	Child Nutrition Cluster: 10.553 School Breakfast Program 10.555 National School Lunch Program
(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 FOR FEDERAL AWARDS

None

**NORTHRIDGE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Capital Asset deficiencies	Partially	Partially repeated in the management letter



Mary Taylor, CPA
Auditor of State

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
APRIL 10, 2007**