NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2017

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MONTGOMERY COUNTY
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Northmont City School District
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45322

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Northmont City School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Northmont City School District, Montgomery County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2018

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Our discussion and analysis of Northmont City School District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the 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 District's financial performance.

Financial Highlights

- At June 30, 2017, the District's liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources by $18,898,585. This reported deficit can be attributed to recognition of the District's proportionate share of net pension liabilities.
- The District's net position increased by $70,075 or approximately 0.4%. The increase is primarily a result of the changes in net pension liability and related deferred inflows and outflows of resources and pension expense.
- As of the close of the current fiscal year, the combined governmental fund balances of the District were $24,893,268; which was an increase of $2,668,990 from the combined fund balance reported for the prior year. This increase was due to the completion of the school facilities construction project in the prior year as well as the additional property tax revenues received through the 5.9 mill operating levy approved by voters in March 2016.
- At the end of the current fiscal year, the unassigned fund balance for the general fund, the District's operating fund, was $13,762,909 or 26.2% of total general fund expenditures.

Using this Annual Financial Report

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

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities
One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting prescribed for governmental entities. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position providing the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements
The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's different types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements. For the year ended June 30, 2017, the District reported no funds classified as proprietary type funds.

Governmental Funds
Most of the 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 year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds
The District is the trustee, or fiduciary, for its various student managed activities. All of the District's fiduciary activities are reported in separate a Statement of Fiduciary Assets and Liabilities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found after the basic financial statements.

Required Supplementary Information
The Governmental Accounting Standards Board (GASB) requires that certain information be presented to supplement the basic financial statements to place the basic financial statements in the appropriate operational, economic, or historical context. This required information is presented after the notes to the basic financial statements and contains the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the General Fund, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District's Contributions, and the notes to the required supplementary information.

The District as a Whole
The statement of net position provides the perspective of the District as a whole. A comparative analysis of fiscal year 2017 to 2016 follows:

TABLE 1
NET POSITION JUNE 30

	2017	2016
Assets:		
Current and Other Assets	$ 60,265,106	59,495,090
Capital Assets	91,044,474	90,764,004
Total Assets	151,309,580	150,259,094
Deferred Outflows of Resources:		
Pension	17,600,772	8,005,496
Total Deferred Outflows of Resources	17,600,772	8,005,496
Liabilities:		
Current Liabilities	6,869,092	9,358,208
Noncurrent Liabilities:		
Due Within One Year	741,587	822,896
Due in More than One Year:		
Net Pension Liability	96,002,979	78,819,985
Other Obligations	55,893,154	56,141,184
Total Liabilities	159,506,812	145,142,273
Deferred Inflows of Resources:		
Property Taxes	27,256,972	26,308,667
Payments in Lieu of Taxes	548,426	462,727
Pension	496,727	5,319,583
Total Deferred Inflows of Resources	28,302,125	32,090,977
Net Position:		
Net Investment in Capital Assets	39,358,350	41,142,593
Restricted	8,185,976	8,789,301
Unrestricted	(66,442,911)	(68,900,554)
Total Net Position	$ (18,898,585)	(18,968,660)

In fiscal year 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

As required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2 Minus plan assets available to pay these benefits

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

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

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

As noted earlier, increases or decreases in net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $18.9 million at the close of the most recent fiscal year which is 0.4 percent increase in deficit position from June 30, 2016.

Total assets of the District increased by $1.1 million, or 0.7%, from June 30, 2016 to June 30, 2017. Capital assets increased by $280,470 (0.3%) as the District recorded the completion of the construction of the new high school building and continued the renovations of the auditorium during the fiscal year. Current year additions to capital assets during the year amounted to $2.6 million while depreciation expense was $2.3 million. At year end, capital assets represented 60.2% of total assets. Current and other asset accounts increased by $770,016 during the year as the District reported property taxes receivables which were $1.9 million more than the prior year due to the additional operating levy approved by voters in March 2016. The increase in property taxes receivables was partially offset by the decrease in intergovernmental receivables, specifically the receivables previously reported for the school construction project.

Total liabilities reported at June 30, 2017 increased by $14.4 million (9.9%) from those reported at the beginning of the year. Net pension liability (described above) increased $17.2 million during the year and represents approximately 60.2% of the total liabilities reported by the District. Remaining components of total liabilities decreased by $2.8 million during the year due to scheduled debt service payments as well as reductions in payable amounts outstanding at year-end as the construction project was completed.

Total deferred outflows of resources increased $9.6 million and deferred inflows of resources decreased by $4.8 million due to recording the components of the net pension liability as required by GASB 68. Deferred inflows of resources related to property taxes not levied to finance current year operations and payments in lieu of taxes increased $1.0 million due to the additional tax revenue anticipated in fiscal year 2018, as it will be the first full year of collection for the emergency operating levy approved in March 2016.

Net position at June 30, 2017 was $70,075 more than it was at the beginning of the year. Net investment in capital assets decreased as the District continued to spend bond proceeds related to the capital related debt during the year. Restricted net position decreased as unspent restricted resources (specifically those associated with school facilities construction projects) decreased over the year due to the completion of the capital construction projects. Unrestricted net position (deficit) improved over the year by 3.6%.

A comparative analysis of change in net position for fiscal years 2017 and 2016 follows:

TABLE 2
CHANGE IN NET POSITION, JUNE 30

		2017	2016
Revenues:			
Program Revenues:			
Charges for Services	$	3,623,252	3,938,988
Operating Grants and Contributions		4,731,813	4,375,794
General Revenues:			
Property Taxes		30,529,066	27,272,606
Grants and Entitlements		27,710,239	29,015,498
Other		689,805	640,251
Total Revenues		67,284,175	65,243,137
Expenses:			
Instruction		40,909,510	38,650,791
Support Services:			
Pupils and Instructional Staff		5,107,448	4,803,297
Board of Education, Administration Fiscal and Business		5,936,261	5,440,677
Operation and Maintenance of Plant		4,985,102	3,690,842
Pupil Transportation		2,637,524	2,506,403
Central		444,646	437,877
Operation of Non-Instructional Services		3,710,528	3,606,271
Extracurricular Activities		1,371,909	1,273,292
Interest and Fiscal Charges		2,111,172	2,111,823
Total Expenses		67,214,100	62,521,273
Change in Net Position		70,075	2,721,864
Net Position, Beginning of Year		(18,968,660)	(21,690,524)
Net Position, End of Year	$	(18,898,585)	(18,968,660)

Governmental Activities

Net position (deficit) of the District's governmental activities increased slightly during fiscal year 2017; unrestricted net position (deficit) improved by approximately $2.5 million during that same period. Total governmental expenses of $67.2 million exceeded program revenues of $8.4 million, leaving the remaining $58.9 million to be covered by general revenues. Program revenues supported 12.4% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements which are reported as general revenues. These two revenue sources represent 86.6% of total governmental revenue.

The property tax laws in Ohio create the need to periodically seek voter approval for additional operating funds. In general, tax revenues generated from a levy do not increase as a result of inflation.

An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts must periodically return to the ballot and ask voters for additional resources to maintain current programs. As mentioned above, voters approved a new 5.9 mill emergency operating levy in March 2016 which will generate approximately $3.5 million per year for the District, however only half of the anticipated additional revenue amount was received during fiscal year 2017; fiscal year 2018 will be the first full year of collections of the additional property tax amount.

Overall, program revenue reported for fiscal year 2017 was $40,283 more than the amount reported in for the prior year. The decrease in charges for services, primarily food service and extracurricular activities, revenue were offset by the increase in operating grants reported for the current fiscal year, primarily a new award of State Straight A grant program. General revenues reported for fiscal year 2017 were $2.0 million more than those reported for the prior year as the District reported $3.3 million more in property tax revenues (primarily the additional operating levy) and the completion of the State funding related to the school construction projects resulted in $1.3 million less unrestricted grants and entitlements for the current fiscal year. In total, revenue reported for fiscal year 2017 was 3.1% more than that reported for the prior year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues including tax revenue, investment earnings and unrestricted State entitlements must support the net cost of program services. Comparisons to 2016 are as follows:

TABLE 3
TOTAL AND NET COST OF PROGRAM SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30,

		2017		2016	
		Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	$	40,909,510	(37,329,679)	38,650,791	(35,285,161)
Support Services		19,110,981	(18,859,734)	16,879,096	(16,502,529)
Operation of Non-Instructional Services		3,710,528	91,421	3,606,271	233,771
Extracurricular Activities		1,371,909	(649,871)	1,273,292	(540,749)
Interest and Fiscal Charges		2,111,172	(2,111,172)	2,111,823	(2,111,823)
Total Expenses	$	67,214,100	(58,859,035)	62,521,273	(54,206,491)

The largest expense of the District, instructional programs, total $40.9 million or 60.9% of the total governmental expenses reported for fiscal year 2017 compared with 61.8% reported for the prior year. Total expenses reported for fiscal year 2017 increased by $4.7 million over those reported for the prior year. The primary reason for the increase in expenses was the additional pension expense the District was required to report for the current fiscal year due to the performance of the State-wide pension system during the measurement period. For fiscal year 2017, total pension expense under GASB 68 for the District was $7.4 million compared to the $4.2 million for the prior year. Additional expenses related to special education programs, increases in wages and benefit costs, as well as repair and maintenance projects performed during the year, account for the remaining increase in expenses.

The District continues to be heavily reliant on property tax and unrestricted grants and entitlements (State Foundation) revenues to fund services provided to the students and community. During fiscal year 2017, these two revenue sources accounted for 98.8% of the District's general revenues which financed 87.6% of the total program expenses reported for the fiscal year. The non-instructional service, primarily food service operations, was the only functional area which generated sufficient revenues to cover the functional expenses.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $67.7 million and expenditures of $65.1 million. Overall fund balance of governmental funds increased $2.7 million over those at June 30, 2016.

The general fund is the primary operating fund of the District. The general fund balance increased by $4.8 million during the year compared with the $1.8 million increase reported in the prior year. General fund revenues increased by $2.7 million over those of fiscal year 2016 due to the additional revenue received through the additional property tax operating levy previously mentioned. Expenditures of the fund decreased by $329,432 as the District administration made budgetary reductions in anticipation of State funding reductions. The ending unassigned fund balance of the general fund at June 30, 2017 ($13.8 million) represents 26.2% of the total expenditures reported by the general fund for the year then ended compared with the 16.4% at the end of the prior year.

The District's other major fund, the permanent improvement capital project fund, reported a decrease of $551,016 in fund balance for fiscal year 2017 as the District performed some necessary repair and maintenance projects as the major construction projects were completed during the year.

General Fund Budget Information

The District modified the general fund's budget during fiscal year 2017. Budgeted revenues and other financing sources increased $6.9 million from $49.0 million to $55.9 million, and budgeted expenditures and other financing uses decreased $0.6 million from $56.1 million to $55.5 million.

The ending budgetary fund balance of the general fund ended fiscal year 2017 at $16.8 million, or nearly $2.8 million more than the final budgeted balance of $14.0 million. The higher actual budgetary fund balance resulted from lower than expected spending as management made intentional efforts to reduce budgetary increases to deal with anticipated decrease in State funding.

The ending unencumbered cash fund balance of the General Fund at June 30, 2017 represents 31.7% of the total budgetary expenditures reported for the Fund for the year ended June 30, 2017.

Capital Assets
At the end of the fiscal year 2017, the District had $91.0 million invested in land, buildings, building improvements, furniture, equipment and vehicles, and infrastructure.

During the year, the District reported capital asset additions of $2.6 million. The completion of the construction projects (High School, Early Learning Center and Auditorium) during the year resulted in $10.7 million being moved from construction in progress to buildings, as well as furniture and equipment, categories. Other significant capital asset additions for the year were for HVAC projects, sport field improvements, other building and land improvements, as well as two new school busses. Depreciation expense on all capital assets was $2.3 million for the fiscal year which is 46.6% more than the depreciation expense of the prior year due to the completion of the significant construction projects within the past few years.

Table 4 shows the fiscal year 2017 balances compared to fiscal year 2016.

TABLE 4
CAPITAL ASSETS, JUNE 30

		2017	2016
Land	$	1,398,657	1,398,657
Construction in Progress		-	9,152,353
Buildings and Improvements		85,503,121	76,179,003
Furniture and Equipment		3,264,249	3,194,187
Vehicles		744,469	702,705
Infrastructure		133,978	137,099
Total Net Capital Assets	$	91,044,474	90,764,004

Additional information regarding capital assets can be found in Note 8 of this report.

Debt Administration
At June 30, 2017, the District had $53.6 million in outstanding general obligation bonds, including $163,638 of accreted interest on capital appreciation bonds and $674,611 of unamortized premiums on bonds issued. During the fiscal year, the District paid $430,000 in principal on bonds during fiscal year 2017 and another $435,000 of principal is due to mature within one year.

Detailed information regarding long term debt obligations is included in Note 9 to the basic financial statements.

Contacting the District

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the District's financial position and to show the District's accountability for the funds it receives. Should you have any questions about this report or any other financial matter, contact the Treasurer's Office at Northmont City School District, 4001 Old Salem Road, Englewood, Ohio 45322 or by calling 937-832-5008.

Statement of Net Position
June 30, 2017

	Governmental Activities	Component Unit	Total
ASSETS:			
Equity in Pooled Cash and Investments	$ 28,991,948	$ 18,564	$ 29,010,512
Restricted Cash and Investments	55,588	-	55,588
Accounts Receivable	398	-	398
Intergovernmental Receivable	907,193	-	907,193
Property and Other Local Taxes Receivable	30,309,979	-	30,309,979
Land	1,398,657	-	1,398,657
Depreciable Capital Assets, net	89,645,817	-	89,645,817
Total Assets	151,309,580	18,564	151,328,144
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	17,600,772	-	17,600,772
Total Deferred Outflows of Resources	17,600,772	-	17,600,772
LIABILITIES:			
Accounts Payable	362,086	-	362,086
Accrued Wages and Benefits	4,979,748	-	4,979,748
Intergovernmental Payable	919,079	2,671	921,750
Claims Payable	21,541	-	21,541
Matured Compensated Absences Payable	182,809	-	182,809
Accrued Interest Payable	348,241	-	348,241
Retainage Payable from Restricted Assets	55,588	-	55,588
Long-Term Liabilities:			
Due Within One Year	741,587	-	741,587
Due in More Than One Year:			
Net Pension Liability	96,002,979	-	96,002,979
Other Amounts Due in More Than One Year	55,893,154	-	55,893,154
Total Liabilities	159,506,812	2,671	159,509,483
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes not Levied to Finance Current Year Operations	27,256,972	-	27,256,972
Payments in Lieu of Taxes not Intended to Finance Current Year Operations	548,426	-	548,426
Pension	496,727	-	496,727
Total Deferred Inflows of Resources	28,302,125	-	28,302,125
NET POSITION:			
Net Investment in Capital Assets	39,358,350	-	39,358,350
Restricted for Debt Service	1,228,842	-	1,228,842
Restricted for Capital Outlay	4,809,877	-	4,809,877
Restricted for Classroom Facilities Maintenance	1,276,729	-	1,276,729
Resticted for Student Activities	390,550	-	390,550
Restricted for Food Service	414,145	-	414,145
Restricted for Federal and State Educational Grants	397	-	397
Restricted for Other Purposes	65,436	-	65,436
Unrestricted	(66,442,911)	15,893	(66,427,018)
Total Net Position	$ (18,898,585)	$ 15,893	$ (18,882,692)

The notes to the financial statements are an integral part of this statement.

Northmont City School District, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Component Unit	Total
Governmental Activities:						
Instruction:						
Regular	$ 27,601,547	$ 688,324	$ 507,695	$ (26,405,528)		$ (26,405,528)
Special	11,203,040	-	2,321,952	(8,881,088)		(8,881,088)
Vocational	254,791	-	61,860	(192,931)		(192,931)
Other	1,850,132	-	-	(1,850,132)		(1,850,132)
Support Services:						
Pupils	4,671,811	-	27,288	(4,644,523)		(4,644,523)
Instructional Staff	435,637	-	-	(435,637)		(435,637)
Board of Education	84,984	-	-	(84,984)		(84,984)
Administration	4,158,968	-	62,965	(4,096,003)		(4,096,003)
Fiscal	1,290,893	-	-	(1,290,893)		(1,290,893)
Business	401,416	-	-	(401,416)		(401,416)
Operation and Maintenance of Plant	4,985,102	43,520	-	(4,941,582)		(4,941,582)
Pupil Transportation	2,637,524	-	103,074	(2,534,450)		(2,534,450)
Central	444,646	-	14,400	(430,246)		(430,246)
Operation of Non-Instructional Services	3,710,528	2,347,560	1,454,389	91,421		91,421
Extracurricular Activities	1,371,909	543,848	178,190	(649,871)		(649,871)
Interest and Fiscal Charges	2,111,172	-	-	(2,111,172)		(2,111,172)
Total Governmental Activities	67,214,100	3,623,252	4,731,813	(58,859,035)		(58,859,035)
Component Unit:						
Northmont Secondary Academy	207,689	-	223,219		15,530	15,530
Total Component Unit	207,689	-	223,219		15,530	15,530
Total	$ 67,421,789	$ 3,623,252	$ 4,955,032	(58,859,035)	15,530	(58,843,505)
General Revenues:						
Grants and Entitlements not Restricted to Specific Programs				27,710,239	-	27,710,239
Investment Earnings				42,716	-	42,716
Payments in Lieu of Taxes				548,426	-	548,426
Miscellaneous				98,663	-	98,663
Property Taxes Levied for:						
General Purposes				27,284,710	-	27,284,710
Debt Service				2,352,548	-	2,352,548
Capital Projects				629,877	-	629,877
Classroom Facilities Maintenance				261,931	-	261,931
Total General Revenues				58,929,110	-	58,929,110
Change in Net Position				70,075	15,530	85,605
Net Position - Beginning of Year				(18,968,660)	363	(18,968,297)
Net Position - End of Year				$ (18,898,585)	$ 15,893	$ (18,882,692)

The notes to the financial statements are an integral part of this statement.

Northmont City School District, Ohio

Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Investments	$ 18,355,932	$ 4,395,925	$ 6,240,091	$ 28,991,948
Restricted Cash and Investments	-	-	55,588	55,588
Receivables (Net):				
Taxes	27,231,047	887,093	2,191,839	30,309,979
Accounts	398	-	-	398
Intergovernmental	73,747	548,426	285,020	907,193
Interfund	28,836	-	-	28,836
Total Assets	$ 45,689,960	$ 5,831,444	$ 8,772,538	$ 60,293,942
LIABILITIES:				
Accounts Payable	275,021	34,480	52,585	362,086
Accrued Wages and Benefits	4,547,064	-	432,684	4,979,748
Interfund Payable	-	-	28,836	28,836
Intergovernmental Payable	876,369	-	42,710	919,079
Matured Compensated Absences	181,591	-	1,218	182,809
Retainage Payable from Restricted Assets	-	-	55,588	55,588
Claims Payable	21,541	-	-	21,541
Total Liabilities	5,901,586	34,480	613,621	6,549,687
DEFERRED INFLOWS OF RESOURCES				
Property Taxes not Levied to Finance Current Year Operations	24,491,335	796,692	1,968,945	27,256,972
Revenue in Lieu of Taxes not Intended to Finance Current Year Operations	-	548,426	-	548,426
Unavailable Revenue	685,855	21,657	338,077	1,045,589
Total Deferred Inflows of Resources	25,177,190	1,366,775	2,307,022	28,850,987
FUND BALANCES:				
Restricted:				
Capital Outlay	-	4,430,189	2,118,221	6,548,410
Debt Service	-	-	1,687,664	1,687,664
Food Service	-	-	582,207	582,207
Facilities Maintenance	-	-	1,292,773	1,292,773
Student Activities	-	-	390,550	390,550
Other Purposes	-	-	65,436	65,436
Assigned:				
School Supported Activities	684,369	-	-	684,369
Future Purchase Commitments	163,906	-	-	163,906
Unassigned (Deficit)	13,762,909	-	(284,956)	13,477,953
Total Fund Balances	14,611,184	4,430,189	5,851,895	24,893,268
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 45,689,960	$ 5,831,444	$ 8,772,538	$ 60,293,942

The notes to the financial statements are an integral part of this statement.

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances	$	24,893,268
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		91,044,474
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.		
Taxes		760,569
Intergovernmental Receivable		285,020
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred outflows/inflows are not reported in governmental funds.		
Deferred Outflows - Pension		17,600,772
Deferred Inflows - Pension		(496,727)
Net Pension Liability		(96,002,979)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds		(52,771,703)
Accreted Interest on Capital Appreciation Bonds		(163,638)
Compensated Absences		(3,024,789)
Unamortized Bond Premium		(674,611)
Accrued Interest on Long-Term Debt		(348,241)
Net Position of Governmental Activities	$	(18,898,585)

The notes to the financial statements are an integral part of this statement.

Northmont City School District, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	$ 27,183,443	$ 672,832	$ 2,571,344	$ 30,427,619
Intergovernmental	28,608,385	108,370	4,052,783	32,769,538
Interest	7,010	4,282	31,424	42,716
Tuition and Fees	796,116	-	-	796,116
Rent	90,220	-	-	90,220
Extracurricular Activities	155,662	-	330,822	486,484
Gifts and Donations	155,002	-	63,896	218,898
Customer Sales and Services	246,666	-	2,003,766	2,250,432
Payments in Lieu of Taxes	-	548,426	-	548,426
Miscellaneous	82,493	-	15,170	97,663
Total Revenues	57,324,997	1,333,910	9,069,205	67,728,112
EXPENDITURES:				
Current:				
Instruction:				
Regular	23,438,830	-	513,493	23,952,323
Special	9,066,170	-	1,727,500	10,793,670
Vocational	233,660	-	-	233,660
Other	1,850,132	-	-	1,850,132
Support Services:				
Pupils	4,381,764	-	25,673	4,407,437
Instructional Staff	419,399	-	979	420,378
Board of Education	84,575	-	-	84,575
Administration	3,916,446	-	48,856	3,965,302
Fiscal	1,136,963	11,483	28,369	1,176,815
Business	397,076	-	-	397,076
Operation and Maintenance of Plant	3,435,490	-	441,497	3,876,987
Pupil Transportation	2,430,750	-	-	2,430,750
Central	413,145	-	15,778	428,923
Operation of Non-Instructional Services	269,907	-	3,347,996	3,617,903
Extracurricular Activities	889,121	-	366,261	1,255,382
Capital Outlay	180,888	1,873,443	1,591,809	3,646,140
Debt Service:				
Principal	-	-	430,000	430,000
Interest	-	-	2,092,669	2,092,669
Total Expenditures	52,544,316	1,884,926	10,630,880	65,060,122
Excess of Revenues Over(Under) Expenditures	4,780,681	(551,016)	(1,561,675)	2,667,990
OTHER FINANCING SOURCES AND USES:				
Insurance Recoveries	1,000	-	-	1,000
Transfers In	-	-	27,556	27,556
Transfers Out	(27,556)	-	-	(27,556)
Total Other Financing Sources and Uses	(26,556)	-	27,556	1,000
Net Change in Fund Balances	4,754,125	(551,016)	(1,534,119)	2,668,990
Fund Balance (Deficit) at Beginning of Year	9,857,059	4,981,205	7,386,014	22,224,278
Fund Balance (Deficit) at End of Year	$ 14,611,184	$ 4,430,189	$ 5,851,895	$ 24,893,268

The notes to the financial statements are an integral part of this statement

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, 2017

Net Change in Fund Balances - Total Governmental Funds	$ 2,668,990
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. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital asset additions used in governmental activities	2,593,774
Depreciation expense	(2,313,304)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(444,937)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, deferred loss on refundings when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Repayment of long-term bonds and capital leases	430,000
Current year amortization of bond premium	23,591
Current year accretion of interest on capital appreciation bonds	(43,169)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Accrued interest payable	1,075
Compensated absences	(81,083)
Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of activities reports these amounts as deferred outflows.	4,663,570
Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense among the functions in the statement of activities.	(7,428,432)
Change in Net Positon of Governmental Activities	$ 70,075

The notes to the financial statements are an integral part of this statement.

Northmont City School District, Ohio

Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2017

	Agency Fund
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Investments	$ 76,073
Total Assets	$ 76,073
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 716
Due to Students	75,357
Total Current Liabilities	76,073
Total Liabilities	$ 76,073

The notes to the financial statements are an integral part of this statement.

1. Description of the District and Reporting Entity

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 44 square miles. It is located in Montgomery County, and includes all of the Cities of Clayton, Union, Englewood and the Village of Phillipsburg and Clay Township.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading.

The primary government consists of all funds and departments, which provide various services including instruction, student guidance, extracurricular activities, food service, pre-school, educational media and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has one component unit. The basic financial statements of the reporting entity include those of the District (the primary government) and those of Northmont Secondary Academy (component unit).

The following organizations are described due to their relationship to the District:

1. Description of the District and Reporting Entity (Continued)

Discretely Presented Component Unit – The Northmont Secondary Academy (the Academy) is a legally separate, conversion community school, serviced by a Board of Directors. The Academy focuses on serving students at risk of or already in therapeutic residential placement and provides an alternative to the traditional educational setting. The Academy was organized under Ohio Revised Code Chapter 3314 and the District is the sponsor. The Academy was founded utilizing existing programs within the existing structure of the District. The employees of the Academy remain part of the collective bargaining unit of the District. Based on the significant services provided by the District to the Academy and the Academy's purpose of serving the students within the District, the Academy is reflected as a component unit of the District. The Academy is reported separately to emphasize that it is legally separate from the District. The Academy paid the District $181,836 associated with contractual services provided by the District in the fiscal year. Separately issued financial statements for the Academy can be obtained from Beth Owens, Assistant Treasurer at Northmont City School District, 4001 Old Salem Road, Englewood, Ohio 45322.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit can be found in Note 18 to these basic financial statements.

Parochial Schools – Within the District boundaries, Salem Christian Academy is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial schools. The activity of these State monies by the District are reflected in a special revenue fund for financial reporting purposes.

Northmont Education Foundation - The District's Board is responsible for appointing one nonvoting member of the Board of Trustees to the Northmont Education Foundation. The District's accountability does not extend beyond making this appointment, therefore, the Northmont Education Foundation is not considered a related organization.

Other Organizations - The District is associated with five organizations, which are defined as jointly governed organizations and insurance purchasing pools. The jointly governed organizations include the Southwestern Ohio Education Purchasing Council (SOEPC), META Solutions, the Southwestern Ohio Instructional Technology Association (SOITA), and Shared Resource Center Regional Council of Governments. These organizations are presented in Note 17 to the basic financial statements. The insurance purchasing pool is the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust. The organization is presented in Note 16.

2. Summary of Significant Accounting Policies

The financial statements of the 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 most significant of the District's accounting policies are described below.

a. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into the categories governmental, proprietary and fiduciary.

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

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

Permanent Improvement Fund - This fund accounts for the resources generated by the voted 1.70 mill property tax levy which are restricted to construction, acquisition and maintenance of necessary buildings and equipment needed by the District.

Other governmental funds of the District may be used to account for specific resources that are restricted or committed to specified purposes.

Proprietary Funds - The proprietary funds focus on the determination of operating income, the change in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the District reports no proprietary funds for the current fiscal year.

2. **Summary of Significant Accounting Policies** (continued)

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include agency funds. Agency funds are purely custodial and thus do not involve measurement of results of operations. The District's only agency fund accounts for various student managed activities.

b. Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

2. **Summary of Significant Accounting Policies** (continued)

c. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

Revenues, Exchange and Non-exchange Transactions
Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

Non-exchange transactions, in which the 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 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, grants and intergovernmental funding.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred pension contributions. The deferred outflows of resources related to pension are explained further in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, and unavailable revenue. Property taxes and payments in lieu of taxes represents amounts for which there are enforceable legal claims as of June 30, 2017, but which are not intended to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and

2. Summary of Significant Accounting Policies (continued)

governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes and intergovernmental grants and funding. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and is further explained in Note 11.

Expenditures/Expenses
The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities to the extent that payments come due each period upon the occurrence of employee resignations and retirements. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting utilized by the government-wide financial statements recognize revenues when they are earned, and expenses are recognized at the time they are incurred.

d. Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in repurchase agreements, money market mutual funds, and State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2017. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s net asset value per share which is the price the investment could be sold for on June 30, 2017, which approximates fair value.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2017 amounted to $7,010, $4,282 and $31,424 in the general, permanent improvement and other governmental funds, respectively.

2. Summary of Significant Accounting Policies (continued)

e. Capital Assets and Depreciation

General capital assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded the acquisition values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than one thousand five hundred dollars ($1,500) for purchases made before July 1, 2015. On July 1, 2015, the District increased its capitalization threshold to five thousand dollars ($5,000). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Useful Life
Buildings and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years
Infrastructure	50 years

f. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets reported by the District represent amounts held for payment of contractor retainage.

g. Interfund Balances

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

2. **Summary of Significant Accounting Policies** (continued)

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. Due to and due from other funds represents temporary advances of resources from the general fund to non-major grant funds to cover deficit cash balances at year-end. These amounts are eliminated in the statement of net position.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide state of activities. The interfund services provided and uses are not eliminated in the process of consolidation.

h. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws. The liability is based upon pay rates in effect at the balance sheet date.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as 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 fund from which the employee will be paid.

i. Accrued Liabilities and Long-term Obligations

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, compensated absences paid from governmental funds (typically the general fund) are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

2. Summary of Significant Accounting Policies (continued)

j. Pensions

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

k. Fund Balance

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted – amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the District's highest level of decision-making authority, the Board of Education.

Assigned – amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned – residual fund balance within the general fund that is in spendable form that is not restricted, committed or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

2. Summary of Significant Accounting Policies (continued)

The District applies restricted resources first when an expenditure is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

l. Net Position

Net position represents the difference between assets and deferred outflows of resources compared with liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, regulations or other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the District's $8,185,976 in restricted net position, none was restricted by enabling legislation.

m. Unamortized Bond Premium

On government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current period expense when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

n. Estimates

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

3. Accountability

a. Change in Accounting Principle

For fiscal year 2017, the District implemented the Governmental Accounting Standards Board (GASB) Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* No. 77, *Tax Abatement Disclosures*, No. 78, *Pension Plans provided through Certain Multi-Employer Defined Benefit Plans*, No. 80, *Blending Requirements for Certain Component Units* and No. 82, *Pension Issues – an amendment of GASB Statements No.67, No. 68 and No. 73*.

GASB Statement No. 74 enhances the note disclosures and required supplementary information schedules required by OPEB plans that are administered through trusts that meet the specified criteria. The implementation of this Standard had no effect on the District's financial statements.

GASB Statement No. 77 requires disclosures that provide users with information concerning the government's tax abatement programs, including nature and magnitude, which will provide information on ability to raise resources and the impact abatement programs have on the financial position of the government. The District has included the required disclosures within these financial statements.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude certain pensions provided to employees of governmental employers through cost-sharing multiple-employer defined benefit plans that meet certain specified criteria. The implementation of this Standard had no effect on the District's financial statements.

GASB Statement No. 80 amends the blending requirements of GASB Statement No. 14 to include blending of a component unit, incorporated as a not-for-profit corporation, in which the reporting government is the sole corporate member. The implementation of this Standard had no effect on the District's financial statements.

GASB Statement No. 82 improves financial reporting by enhancing consistency in the application of financial reporting requirements related to certain pension issues, including presentation of payroll-related measures in RSI, selection of assumptions, and classification of employer-paid member contributions. The implementation of this Standard had no effect on the District's beginning net position.

b. Issued but Not Implemented Accounting Standard

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require the reporting entity to recognize on the face of the financial statements, its proportionate share of the net OPEB

3. **Accountability** (Continued)

liability related to its participation in the School Employees Retirement System (SERS) and the State Teachers Retirement System (STRS). This Standard also enhances accountability and transparency through revised note disclosures and required supplementary information. The provisions of this Standard are required to be implemented for reporting periods beginning after June 15, 2017. The District has not early implemented GASB Statement No. 75 and is currently in the process of evaluating the impact this Standard will have on its financial statements.

c. Deficit Fund Balances

Individual fund deficits reported at June 30, 2017 include the following:

Non-Major Funds	Deficit
Auxiliary Services	$ 780
Straight A Grant	28,260
Miscellaneous State Grants	178
Title VI-B Grant	116,616
Title III Grant	2,182
Title I Grant	118,533
Title VI-R Grant	18,407

These deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

4. **Deposits and Investments**

State statutes require the classification of monies held by the District into three categories.

Active Monies - Those monies required to be kept in a “cash” or “near-cash” status for immediate use by the district. Such monies must be maintained either as cash in the District Treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies - Those monies not required for use within the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies - 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. Ohio law permits interim monies to be invested in legal securities (see Note 2d).

4. <u>Deposits and Investments</u> (continued)

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

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;

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;

Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Bonds and other obligations of the State of Ohio;

No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

The State Treasurer's investment pool (STAR Ohio);

Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time, and under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years

4. Deposits and Investments (continued)

from the date of purchase unless matched to a specific obligation of or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - The carrying amount of all District deposits was $17,785,294. Based on the criteria described in GASB Statement 40, "Deposits and Investment Risk Disclosures", $17,675,399 of the District's bank balance of $18,425,399 was exposed to custodial risk as discussed below, while $750,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code and the District's investment policy, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

Investments - As of June 30, 2017, the District had the following investments and maturities:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money Market Mutual Fund	$ 1,059,213	0.000
Repurchase Agreement	8,815,966	0.000
STAROhio	1,463,136	0.000
Total	$ 11,338,315	
Portfolio Weighted Average Maturity		0.000

Interest Rate Risk
In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to two years. All investments held by the District have a maturity of less than one year.

Credit Risk
It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments, which have the highest credit quality rating issued by nationally recognized statistical rating organizations.

4. <u>Deposits and Investments</u> (continued)

Investments in STAROhio and the Money Market Mutual Fund were rated AAAm by Standard and Poor's. The repurchase agreements, which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required by Ohio Revised Code 135.

Custodial Credit Risk
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to those investments permitted by the ORC. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk
The District's investment policy places no limit on the amount that may be invested in any one issuer beyond the requirements contained within the Ohio Revised Code. The following table includes the percentage of each investment type held by the District at June 30, 2017:

Investment Type	% of Portfolio
Money Market Mutual Fund	9.34%
Repurchase Agreement	77.76%
STAROhio	12.90%
Total	100.00%

Fair Value Measurement - The District's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the transparency of the instrument and should not be perceived as the particular investment's risk. The District's investment in the money market mutual fund is classified as a level 2 (observable inputs) reoccurring fair value measurement. Investments classified in level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment manager.

4. Deposits and Investments (continued)

Investments of the District also include STAR Ohio and repurchase agreements. These investments are measured at amortized cost; and therefore, these investments are not classified based on the hierarchy provided above. There are no limitations or restrictions on any withdrawals from these investments due to redemption notice periods, liquidity fees, or redemption gates. STAR Ohio does require notice to be given 24 hours in advance for all deposits or withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

5. Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility tangible personal property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; is paid semi-annually, the first payment is due December 31 with the regular payable June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Montgomery, Miami, and Darke Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility tangible personal property taxes that became measurable as of June 30, 2017. Although the total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2017 was $1,887,775, $63,342, and $156,492 for the General, Permanent Improvement, and Other Governmental Funds, respectively, and is recognized as revenue in the Governmental Funds.

5. **Property Taxes** (Continued)

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis, has been deferred. The assessed values upon which fiscal year 2017 taxes were collected are:

	2017 First Half Collections	2016 Second Half Collections
Real Estate		
Residential /Agricultural		
and Other Real Estate	$ 608,987,770	$ 610,818,550
Public Utility Property	14,518,490	13,762,330
Total	$ 623,506,260	$ 624,580,880

6. **Receivables**

Receivables at June 30, 2017, consisted of taxes, accounts, and intergovernmental grants and interfund. 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.

A summary of the principal items of intergovernmental receivables is as follows:

Governmental Activities:	Amount
State Foundation - FTE Adjustments	$ 73,747
Payments in Lieu of Taxes	548,426
Straight A grant	28,260
Title VI-B	132,203
Title III	2,182
Title I	117,688
Improving Teacher Quality	4,112
Other grant programs	575
Total	$ 907,193

7. **Interfund Transactions**

At June 30, 2017, the general fund had an interfund receivable of $28,836 related to $28,260 and $576 provided to the Straight A grant and Miscellaneous State grant funds (non-major governmental funds), respectively. These represent operating resources provided to the grant funds until additional funding is received from the State. Also, during fiscal year 2017, the general fund provided operating transfers of $27,556 to the District managed student activities fund (non-major governmental fund).

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

8. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at 7/1/2016	Additions	Deductions	Balance at 6/30/2017
Capital Assets, not being depreciated:				
Land	$ 1,398,657	$ -	$ -	$ 1,398,657
Construction in Progress	9,152,353	1,591,810	10,744,163	-
	10,551,010	1,591,810	10,744,163	1,398,657
Capital Assets, being depreciated:				
Building and Improvements	88,172,278	11,257,830	-	99,430,108
Furniture and Equipment	5,691,866	292,077	-	5,983,943
Vehicles	4,000,168	196,220	59,677	4,136,711
Infrastructure	156,031	-	-	156,031
	98,020,343	11,746,127	59,677	109,706,793
Less: Accumulated Depreciation:				
Building and Improvements	11,993,275	1,933,712	-	13,926,987
Furniture and Equipment	2,497,679	222,015	-	2,719,694
Vehicles	3,297,463	154,456	59,677	3,392,242
Infrastructure	18,932	3,121	-	22,053
	17,807,349	2,313,304 *	59,677	20,060,976
Capital Assets, being depreciated, net	80,212,994	9,432,823	-	89,645,817
Total Capital Assets, net	$ 90,764,004	$ 11,024,633	$ 10,744,163	$ 91,044,474

* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 2,021,872
Special	4,014
Support Services:	
Pupil Support	261
Board of Education	409
Administration	15,062
Business	98
Operation and Maintenance of Plant	20,289
Pupil Transportation	125,377
Non-Instructional Services	25,216
Extracurricular Activities	100,706
Total Depreciation Expense	$ 2,313,304

9. Long-Term Obligations

The activity of the District's long-term obligations during fiscal year 2017 was as follows:

	Balance 7/1/2016	Increase	Decrease	Balance 6/30/2017	Amount Due Within One Year
Governmental Activities:					
2012A Bonds:					
Current Interest Bonds	$ 43,870,000	$ -	$ (330,000)	43,540,000	$ 335,000
Capital Appreciation Bonds	121,703	-	-	121,703	-
Accretion of Interest	120,469	43,169	-	163,638	-
2012B Bonds:					
Serial Bonds	5,720,000	-	(100,000)	5,620,000	100,000
Term Bonds	3,490,000	-		3,490,000	
Premium on Bonds	698,202	-	(23,591)	674,611	-
Total General Obligation Bonds	54,020,374	43,169	(453,591)	53,609,952	435,000
Net Pension Liability:					
STRS	64,050,809	12,798,060	-	76,848,869	-
SERS	14,769,176	4,384,934	-	19,154,110	-
Total Net Pension Liability	78,819,985	17,182,994	-	96,002,979	-
Other Long-Term Obligations:					
Compensated Absences	2,943,706	473,979	(392,896)	3,024,789	306,587
Total Governmental Activities	$ 135,784,065	$ 17,700,142	$ (846,487)	$ 152,637,720	$ 741,587

Compensated absences and required pension contributions will be paid from the fund from which the person is paid. All long term bond payments will be made out of the debt service fund.

On February 7, 2012, the District issued $44,875,000 in Current Interest Bonds and $121,703 in Capital Appreciation Bonds for a net premium of $646,488 at an interest rate between 2.00% and 5.00% throughout the life of the bonds. The bonds will mature on November 1, 2049.

On February 23, 2012, the District issued $9,975,000 in Serial and Term Bonds for a net premium of $157,871 at an interest rate between 1.00% and 4.00% throughout the life of the bonds. The bonds will mature on November 1, 2035.

9. Long-Term Obligations (continued)

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year	General Obligation Bonds Principal	General Obligation Bonds Interest	General Obligation Bonds Total	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Interest	Capital Appreciation Bonds Total
2018	$ 435,000	$ 2,086,181	$ 2,521,181	$ -	$ -	$ -
2019	520,000	2,077,969	2,597,969	-	-	-
2020	100,000	2,072,019	2,172,019	121,703	308,297	430,000
2021	530,000	2,065,181	2,595,181	-	-	-
2022	625,000	2,052,006	2,677,006	-	-	-
2023-2027	3,735,000	9,927,584	13,662,584	-	-	-
2028-2032	5,555,000	9,202,103	14,757,103	-	-	-
2033-2037	7,555,000	8,056,675	15,611,675	-	-	-
2038-2042	10,005,000	6,344,231	16,349,231	-	-	-
2043-2047	13,460,000	3,984,434	17,444,434	-	-	-
2048-2050	10,130,000	781,750	10,911,750	-	-	-
Total	$ 52,650,000	$ 48,650,133	$ 101,300,133	$ 121,703	$ 308,297	$ 430,000

10. Risk Management

a. Property and Liability

The District is exposed to various risks of loss related to torts, theft or, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the District contracted with Southwestern Ohio Educational Purchasing Cooperative Liability, Fleet & Property Program (LFP) and Arthur J. Gallagher & Co. for property, general liability, professional and fleet insurance. Coverage provided by the LFP is as follows:

Building and Contents – replacement cost ($5,000 deductible)	$350,000,000 Blanket limit
Boiler and Machinery ($3,500 deductible)	$250,000,000
Automobile Liability (no deductible)	1,000,000
Professional Liability ($10,000 deductible)	
Single Occurrence	1,000,000
Total per year (per member)	1,000,000
General Liability (no deductible)	
Per Occurrence	1,000,000
Total per year (per member)	3,000,000

10. Risk Management (continued)

Excess Liability/Umbrella (no deductible)	
Per Occurrence	5,000,000
Total per year (per member)	5,000,000
Pollution Legal Liability ($25,000 deductible)	
Per Occurrence	1,000,000
Total Aggregate Limit	5,000,000

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

b. Workers' Compensation

The District is self-insured for its workers' compensation costs. The District contracts with Hunter Consultants for the service. Expenses for claims are recorded on the current basis based on an actuarially determined charge per employee. The District accounts for the activities of the program within the General fund in accordance with GASB Statement No. 10. A summary of the changes in self-insurance workers' compensation claims liability is as follows:

Fiscal Year	Beginning Claims Payable	Current Claims	Claims Payments	Ending Claims Payable
2017	$ 29,361	$ 66,979	$ 74,799	$ 21,541
2016	31,366	145,127	147,132	29,361

11. Pension Plans

Net Pension Liability

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

11. Pension Plans (continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)
The District's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309.

SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

11. Pension Plans (continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.0 percent; no allocation was made during the year to the Health Care Fund.

The District's contractually required pension contribution to SERS was $1,151,559 for fiscal year 2017; $204,521 of contributions is reported within intergovernmental payable at June 30, 2017.

11. Pension Plans (continued)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annualization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account

11. Pension Plans (continued)

to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2016 to reach 14 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required pension contribution to STRS was $3,512,011 for fiscal year 2017; $577,492 of contributions is reported within intergovernmental payable at June 30, 2017.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 19,154,110	$ 76,848,869	$ 96,002,979
Proportion of the net pension liability	0.2617011%	0.22958455%	
Change in proportionate share	0.0028696%	-0.00217228%	
Pension expense	$ 1,748,799	$ 5,679,633	$ 7,428,432

11. **Pension Plans** (continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 258,345	$ 3,105,063	$ 3,363,408
Net difference between projected and actual earnings on pension plan investments	1,579,937	6,380,521	7,960,458
Net difference between projected and actual	1,278,642	-	1,278,642
Change in School District's proportionate share and difference in employer contributions	117,688	217,006	334,694
School District contributions subsequent to the measurement date	1,151,559	3,512,011	4,663,570
Total	$ 4,386,171	$ 13,214,601	$ 17,600,772
Deferred Inflows of Resources:			
Change in School District's proportionate share and difference in employer contributions	$ 29,089	$ 467,638	$ 496,727
Total	$ 29,089	$ 467,638	$ 496,727

$4,663,570 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$ 809,579	$ 1,457,281	$ 2,266,860
2019	808,441	1,457,281	2,265,722
2020	1,133,336	3,905,664	5,039,000
2021	454,167	2,414,726	2,868,893
	$ 3,205,523	$ 9,234,952	$ 12,440,475

11. Pension Plans (continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent, including inflation
COLA or Ad Hoc COLA	3.00 percent
Investment rate of return	7.50 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

11. Pension Plans (continued)

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Retirement Board on April 21, 2016.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US equity	22.50%	4.75%
International equity	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real estate	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
Total	100.00%	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

11. **Pension Plans** (continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 25,358,846	$ 19,154,110	$ 13,960,485

Change in Assumptions The following changes in the actuarial assumptions were made during the June 30, 2016 actuarial valuation period:

- Discount rate was reduced from 7.75% to 7.50%
- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll growth assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females
- Mortality among service retired members and beneficiaries was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates
- Mortality among disabled members was updated to the following:
  - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

11. Pension Plans (continued)

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic equity	31.00%	8.00%
International equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed income	18.00%	3.75%
Real estate	10.00%	6.75%
Liquidity reserves	1.00%	3.00%
Total	100.00%	7.61%

* - 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

11. Pension Plans (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 102,125,903	$ 76,848,869	$ 55,526,202

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75% to 7.45%. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall change in the District's net pension liability is expected to be significant.

Social Security System
Effective July 1, 1991, all employees not otherwise covered by the SERS or STRS Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2017, four members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

12. Post-employment Benefits

a. School Employees Retirement System

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder for the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2017, the health care allocation is 0.00%.

12. Post-employment Benefits (Continued)

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute, no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2017, this amount was $23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2017, the District's surcharge obligation was $137,788.

The District's allocated contributions and surcharge to the Health Care Fund for the fiscal years ended June 30, 2017, 2016 and 2015 were $137,788, $126,664 and $188,261 respectively; which equaled the required contributions for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

b. State Teachers Retirement System

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

Funding Policy
Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. STRS did not allocate a portion of employer contributions to post-employment health care in fiscal years 2017, 2016 and 2015.

13. Statutory Reserve

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

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

	Capital Acquisition
Set-aside cash balance as of June 30, 2016	$ -
Current year set-aside requirements	899,105
Current year offset - PI Levy	(1,066,408)
Total	$ (167,303)
Set-aside cash balance as of June 30, 2017	$ -

Qualifying offsets related to permanent improvement levy during the year exceeded the amount required for the set aside. However, excess cannot be carried forward to offset future year's requirements.

14. Commitments - Encumbrances

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed or assigned classifications of fund balance.

At year end, the District's commitments for encumbrances in the governmental funds were as follows:

Fund Type	Year-End Encumbrances
General fund	$ 356,015
Permanent Improvement	548,587
Other governmental funds	362,107
Total	$ 1,266,709

15. Contingencies

a. Grants

The 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 agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits should become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

b. Full-Time Equivalency Review

The District's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the end of the fiscal year. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 is not determinable; however, based on information currently available, the District has recorded an intergovernmental receivable amounting to $73,747 for positive adjustments made to date.

c. Litigation

It is the opinion of management that any potential claim against the District, which would not be covered by insurance, would not materially affect the financial statements.

16. Public Entity Shared Risk Pool

The Southwestern Ohio Educational Purchasing Council Employee Benefit Plan (the Plan) is a public entity shared risk pool consisting of 55 school districts. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participating school districts. The Plan is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which coverage offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Plan and payment of the monthly premium. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

17. Jointly Governed Organizations

a. Southwestern Ohio Educational Purchasing Council (SOEPC)

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2017, the District paid $214,841 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Kenneth Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

b. META Solutions

The District is a member of META Solutions which is an association of public entities throughout Ohio. Membership in META Solutions was due to the merger of the Metropolitan Dayton Educational Cooperative Association (MDECA) and META Solutions in January 2016. META Solutions 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 districts while providing an open marketplace where choice is not limited by geography.

The governing board of META Solutions consists of an eight person Board of Directors, with each of the directors elected by a majority vote of all members within each county in META Solutions membership. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302. The District paid $226,329 to META Solutions during fiscal year 2017.

c. Southwestern Ohio Institutional Technology Association

The Southwestern Ohio Institutional 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, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others elect one representative per area.

17. Jointly Governed Organizations (Continued)

All superintendents except for those from educational service centers vote on the representatives after the nomination committee select individuals to run. One at-large non-public representative is elected by the nonpublic school SOITA members as the State assigned SOITA service area representative. 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 position 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 2017, the District paid $250 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenburg, who serves as Executive Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

d. Shared Resource Center Regional Council of Governments

The District participates in the Shared Resource Center Regional Council of Governments (Council), a jointly governed organization consisting of educational entities within Montgomery County. The purpose of the Council is to provide cost effective services to its members and to other entities, enhance and facilitate relationships between stakeholders in the public and private sector, and collaborate on research and development for innovations in education and local government. The Council is governed by a Governing Board, consisting of one individual from each of the seven original members, including the District. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Board. Financial information can be obtained from Montgomery County Educational Service Center, 200 South Keowee Street, Dayton, Ohio 45402.

18. Northmont Secondary Academy

The Northmont Secondary Academy (the “Academy”) is discretely presented component unit of Northmont City School District (the “District”). The District is the Sponsor of the Academy. The Academy issues a publicly available, stand-alone financial report that includes financial statements. That may be obtained by writing to Beth Owens, Assistant Treasurer at Northmont City School District, 4001 Old Salem Road, Englewood, Ohio 45322.

At the end of the 2016-2017 school year, the Academy ceased operations and academic programs and assets will be transitioned to the District during 2017-2018 school year.

Significant Accounting Policies

Basis of Presentation – Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net position, financial position, and cash flows.

18. **Northmont Secondary Academy** (Continued)

Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

Measurement Focus and Basis of Accounting – Enterprise accounting uses a flow of economic resources measurement focus. With the measurement focus, all assets, deferred outflows of resources, all liabilities and deferred inflows of resources are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e. , expenses) in net total position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process – Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

Cash – All monies received by the Academy are deposited in a demand deposit account.

Capital Assets and Depreciation – The Academy does not own any capital assets. They are all owned by Northmont City School District.

Operating Revenues and Expenses – Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

Net position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

18. Northmont Secondary Academy (Continued)

Intergovernmental Revenue – The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Estimates – The preparation of financial statements in conformity with GAAP 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.

Income Taxes – The Academy is a component unit of Northmont City School District and is exempt from Federal income tax as an exempted affiliate of a governmental unit. Accordingly, no income tax expense is recorded in the accompanying financial statements.

Deposits

At June 30, 2017, the carrying amount of all Academy deposits was $18,564. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, none of the Academy's bank balance of $18,564 was exposed to credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

Contract Services

For fiscal year ended June 30, 2017, purchased services were as follows:

Purchased Services	$185,631

$181,836 of the purchased services amount above are related party transactions since these services are purchased through the Sponsor, Northmont City School District. The remainder of the expense amount are services purchased through META Solutions.

18. Northmont Secondary Academy (Continued)

Risk Management

The Academy 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.

Coverage	Limits of Coverage	Deductible
General Liability:		
Each Occurrence	$1,000,000	$0
Annual Aggregate	3,000,000	$0
Employee Benefits Liability:		
Each Occurrence	$1,000,000	$5,000
Annual Aggregate	3,000,000	$5,000
School Leader's Errors and Omissions:		
Each Occurrence	$2,000,000	$1,000
Annual Aggregate	2,000,000	$1,000
School Law Enforcement Liability:		
Each Occurrence	n/a	n/a
Annual Aggregate	n/a	n/a
Property	$28,647,325	$2,500

Contingencies

Litigation - The Academy is not involved in any other litigation that, in the opinion of management, would have a material effect on the financial statements.

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The final adjustment amount is not determinable at this time; however, the Ohio Department of Education expects that it will result in money owed to the Academy or money due back to the Ohio Department of Education.

Service Contract

The Northmont City School District and the Academy have entered into a service contract agreement. This agreement states that the Academy will contract for educational services from the Northmont City School District board of Education and reimburse the Board of Education for these services. The Northmont City School District agreed to provide the requested services and receive reimbursement for the Academy pursuit to Ohio Revised Code Section 2217.11 as follows:

18. **Northmont Secondary Academy** (Continued)

1. Instructional services for the intensive day treatment program
2. Instructional services for the High School S.E.D. program
3. Instructional services for the Recovery/Alcohol program
4. Instructional services for the Suspension Alternative program
5. Collaboration for staff development programs for certified and non-certified staff
6. Planning and consultative services for curriculum development
7. Psychological services as needed for re-evaluations and initial multi-factored evaluations
8. Fiscal services including payroll, retirement, and insurance
9. Student services including E.M.I.S, Nursing, Speech, Guidance and Therapy
10. Classroom space and administrative services
11. Custodial services
12. Food services
13. Transportation services
14. Supervision/Director services
15. Office Management services
16. Classroom aides for instructional area
17. Technology support

The Northmont Board of Education acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Education shall enter into employment contracts with each certified teacher/administrator/aide whose services are to be shared with Northmont City School District. Other services may be provided based on mutual consent of both the Academy and the Northmont City School District.

Related Party Transaction

The Academy is a component unit of the Sponsor (Northmont City School District). The Academy and the Sponsor entered into an agreement beginning March 11, 2013 through June 30, 2018, whereby terms of the sponsorship were established. Pursuant to this agreement, the Sponsor's Assistant Treasurer serves as the Academy's fiscal officer.

In fiscal year 2017, payments were made by the Academy to the Sponsor totaling $181,836. These represent payments for reimbursements for services provided by the Sponsor to the Academy.

19. **Tax Abatements**

During fiscal year 2017, the District's property tax revenues were reduced by $458,130 and $717,861 under Community Reinvestment Area (CRA) and Enterprise Zone (EZ) agreements, respectively. The CRA agreements were entered into by the City of Englewood and the EZ agreement was entered into by the City of Clayton.

19. <u>Tax Abatements</u> (Continued)

Under Ohio Revised Code Sections 3735 and 5709, municipalities may offer a property tax incentive to an individual or entity for improvements within certain targeted areas. The CRA program abates 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, which are administered as a reduction in the property tax bill. The EZ agreement extended abatement of property taxes to encourage property improvements and employment levels with an industrial equipment company. Commercial and industrial project abatements may not exceed 15 years for CRAs or 10 years for EZs.

During fiscal year 2017, the District received $181,822 from the City of Clayton and $135,306 from the City of Englewood related to property tax revenues lost under these abatement agreements.

20. <u>Subsequent Events</u>

On July 15, 2017, the District entered into a lease purchase agreement with De Lage Landen Public Finance LLC, to lease and subsequently purchase four new Cardinal School Buses. The lease will be paid over 48 months with a total rental payment, including interest, of $392,663.

On December 13, 2017, the District completed the sale of the Series 2017 School Improvement Refunding Bonds, totaling $11,786,104 in par value. The Series 2017 Bonds were issued for the purpose of advance refunding a portion of the District’s School Improvement Bonds, Series 2012A, dated February 7, 2012.

Required Supplementary Information

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Northmont City School District, Ohio

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property Taxes	$ 22,203,399	$ 26,403,399	$ 26,417,285	$ 13,886
Intergovernmental	25,772,821	28,101,563	28,667,802	566,239
Interest	4,906	4,906	7,010	2,104
Tuition and Fees	743,337	945,337	692,106	(253,231)
Rent	28,807	38,807	33,663	(5,144)
Customer Sales and Services	117,149	217,149	-	(217,149)
Miscellaneous	74,411	94,411	99,499	5,088
Total Revenues	48,944,830	55,805,572	55,917,365	111,793
EXPENDITURES:				
Current:				
Instruction:				
Regular	24,540,322	25,070,077	23,743,605	1,326,472
Special	8,610,398	9,365,107	9,365,101	6
Vocational	247,000	244,000	239,761	4,239
Other	2,044,460	2,013,460	1,854,026	159,434
Support Services:				
Pupils	4,458,573	4,641,583	4,346,351	295,232
Instructional Staff	598,327	553,377	424,379	128,998
Board of Education	90,000	90,000	84,575	5,425
Administration	4,288,758	3,933,792	3,933,787	5
Fiscal	1,356,095	1,274,095	1,139,341	134,754
Business	468,792	405,575	402,398	3,177
Operation and Maintenance of Plant	4,511,085	3,871,086	3,612,786	258,300
Pupil Transportation	2,816,913	2,655,870	2,484,345	171,525
Central	510,996	479,996	466,259	13,737
Extracurricular Activities	670,000	697,204	680,491	16,713
Capital Outlay	790,000	20,000	20,000	-
Total Expenditures	56,001,719	55,315,222	52,797,205	2,518,017
Excess of Revenues Over (Under) Expenditures	(7,056,889)	490,350	3,120,160	2,629,810
OTHER FINANCING SOURCES (USES):				
Advances In	13,500	13,500	15,000	1,500
Insurance Recoveries	30,443	34,443	1,000	(33,443)
Refund of Prior Year Expenditures	4,669	4,669	3,319	(1,350)
Transfers Out	-	(10,000)	(27,556)	(17,556)
Advances Out	(15,000)	(15,000)	(28,835)	(13,835)
Other Financing Uses	(120,000)	(184,500)	-	184,500
Total Other Financing Sources (Uses)	(86,388)	(156,888)	(37,072)	119,816
Net Change in Fund Balance	(7,143,277)	333,462	3,083,088	2,749,626
Fund Balance, July 1	13,095,921	13,095,921	13,095,921	-
Prior Year Encumbrances	577,719	577,719	577,719	-
Fund Balance, June 30	$ 6,530,363	$ 14,007,102	$ 16,756,728	$ 2,749,626

See accompanying notes to the required supplementary information.

Northmont City School District, Ohio

Schedule of the District's Proportionate Share of the Net Pension Liability
Last Four Measurement Years (1)

	2016	2015	2014	2013
School Employees Retirement System of Ohio:				
District's Proportion of the Net Pension Liability	0.2617011%	0.2588315%	0.260302%	0.260302%
District's Proportionate Share of the Net Pension Liability	$ 19,154,110	$ 14,769,176	$ 13,173,736	$ 15,479,324
District's Covered Payroll	$ 8,127,464	$ 8,276,973	$ 7,640,260	$ 7,272,052
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	235.67%	178.44%	172.43%	212.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio				
District's Proportion of the Net Pension Liability	0.22958455%	0.23175683%	0.22989814%	0.22989814%
District's Proportionate Share of the Net Pension Liability	$ 76,848,869	$ 64,050,809	$ 55,919,184	$ 66,610,566
District's Covered Payroll	$ 24,156,707	$ 24,179,943	$ 25,296,108	$ 24,535,515
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.13%	264.89%	221.06%	271.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - Information Prior to 2013 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

See accompanying notes to the required supplementary information.

Northmont City School District, Ohio

Schedule of the District's Contributions
Last Seven Fiscal Years (1)

	2017	2016	2015	2014	2013	2012	2011
School Employees Retirement System of Ohio:							
Contractually Required Contribution	$ 1,151,559	$ 1,137,845	$ 1,090,905	$ 1,058,940	$ 1,006,452	$ 1,015,499	$ 1,024,220
Contributions in Relation to the Contractually Required Contribution	(1,151,559)	(1,137,845)	(1,090,905)	(1,058,940)	(1,006,452)	(1,015,499)	(1,024,220)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	8,225,421	8,127,464	8,276,973	7,640,260	7,272,052	7,550,178	8,148,130
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
State Teachers Retirement System of Ohio							
Contractually Required Contribution	$ 3,512,011	$ 3,381,939	$ 3,385,192	$ 3,288,494	$ 3,189,617	$ 3,288,432	$ 3,393,696
Contributions in Relation to the Contractually Required Contribution	(3,512,011)	(3,381,939)	(3,385,192)	(3,288,494)	(3,189,617)	(3,288,432)	(3,393,696)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	25,085,793	24,156,707	24,179,943	25,296,108	24,535,515	25,295,631	26,105,354
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) - Information Prior to 2011 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

See accompanying notes to the required supplementary information.

Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2017

Note 1 – Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated, however the District elects to adopt appropriations and budgets for its agency funds. The legal level of control is at the fund/function level for the general fund and fund level for all other funds. Any budgetary modifications which exceed this legal level of control may only be made by resolution of the Board of Education.

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

Estimated Resources
Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2017.

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

Note 1 – Budgetary Process (Continued)

Any revisions that alter the total of any appropriation at the legal level of control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriation by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The budget figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all amendments and modifications.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures from exceeding appropriations. On the fund financial statement encumbrances are reported within the restricted, committed or assigned fund balances depending on the restrictions placed upon the resources encumbered. For the general fund, encumbrances are reported as a component of assigned fund balance indicating that amount is not currently available. Encumbrances are reported as part of expenditures/expenses on a non-GAAP budgetary basis.

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

Reconciliation of Budgetary Information
While the District is reporting financial position, results of operations and changes in fund balance on the basis of 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 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2017

Note 1 – Budgetary Process (Continued)

3. In order to determine compliance with Ohio law, and reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assignment of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,

4. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund are as follows:

Net Change in Fund Balance

		General Fund
Budget Basis	$	3,083,088
Adjustments:		
Revenue Accruals		685,953
Expenditure Accruals		626,124
Encumbrances		268,658
Other Financing Sources(Uses)		10,516
Perspective Budgeting Difference **		79,786
GAAP Basis	$	4,754,125

** As part of GASB Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These funds include the rotary fund, the early childhood center fund, the public school support fund and the latchkey fund.

<u>Note 2 – SERS Change in Assumption</u>

Measurement Year 2016

The assumptions used by SERS for the June 30, 2016 actuarial study sued to develop the net pension liability amounts reported by the School District at June 30, 2017 were changed from those used in the prior actuarial assumptions. The following is a summary of those changes.

- Discount rate was reduced from 7.75% to 7.50%;
- Assumed rate of inflation was reduced from 3.25% to 3.00%;
- Payroll growth assumption was reduced from 4.00% to 3.50%;
- Assumed real wage growth rate was reduced from 0.75% to 0.50%;
- Rates of withdrawal, retirement and disability were updated to reflect recent experience;
- Mortality tables used in the actuarial study were updated to the following:
    - Active members: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females;
    - Service retired members and beneficiaries: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates;
    - Disabled members: RP-2000 Disability Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

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NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
Passed through Ohio Department of Education						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	$238,949		$238,949	
National School Lunch Program	10.555	N/A	1,099,558	$227,206	1,099,558	$227,206
Total Child Nutrition Cluster			1,338,507	227,206	1,338,507	227,206
Total U.S. Department of Agriculture			1,338,507	227,206	1,338,507	227,206
U.S. Department of Education						
Passed through Ohio Department of Education						
Title I Grants to Local Educational Agencies	84.010	S010A160035	796,759		794,426	
Special Education Cluster (IDEA)						
Special Education Grants to States	84.027	H027A150111	802,514		897,474	
Special Education Preschool Grants	84.173	N/A	5,206		5,206	
Total Special Education Cluster (IDEA)			807,720		902,680	
Career and Technical Education - Basic Grants to States	84.048	V048A160035	10,000		10,000	
English Language Acquisition State Grants	84.365	S365A160035	15,471		15,917	
Supporting Effective Instruction State Grants	84.367	S367A160034	108,988		108,988	
Total U.S. Department of Education			1,738,938		1,832,011	
Total Federal Financial Assistance			$3,077,445	$227,206	$3,170,518	$227,206

The accompanying notes are an integral part of this schedule.

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Northmont City School District (the District's) under programs of the federal government for the fiscal year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Districts* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

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

Northmont City School District
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45322

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Northmont City School District, Montgomery County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2018.

Internal Control Over Financial Reporting

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

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

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

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
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www.ohioauditor.gov

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Northmont City School District
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45322

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Northmont City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Northmont City School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Northmont City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

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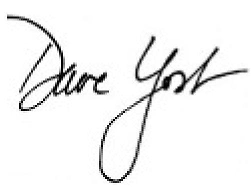
Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2018

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control 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 weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Northmont City Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance/Finding for Recovery – Repaid While Under Audit – An employee received overpayment of retirement severance.	Corrective Action Taken and Finding is Fully Corrected	Payment was received prior to the end of last year's audit.
2016-002	Noncompliance/Material Weakness – Cash Management – The District did not spend all Title I advances within the required time frame.	Corrective Action Taken and Finding is Fully Corrected	We adjusted this practice prior to the beginning of the audit last year. Funds are only requested when the funds go negative.

NORTHMONT CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 13, 2018

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