



Dave Yost • Auditor of State



**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## 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 Northmont City School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2015, 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 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.

**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 Northmont City School District, Montgomery County, Ohio as of June 30, 2015, 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.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

**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, 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 Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the 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 schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule 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 March 22, 2016, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 22, 2016

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## Northmont City School District, Ohio

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2015*

*(Unaudited)*

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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, 2015. 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, 2015, the District's liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources by \$21,690,524. 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 \$3,087,640 or approximately 12%. The majority of this increase can be attributed to the decrease in the net pension liability for fiscal year 2015 being larger than the decrease in assets and increase in deferred inflows of resources reported.
- As of the close of the current fiscal year, the combined governmental fund balances of the District were \$32,408,088; which was a decrease of \$13,667,497 from the combined fund balance reported for the prior year. This decrease was due to the school facilities construction project expenditures recorded during the fiscal year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund, the District's operating fund, was \$4,918,055 or 9.8% 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.

## Northmont City School District, Ohio

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2015*

*(Unaudited)*

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### **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, 2015, 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 Standard Boards 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.

## Northmont City School District, Ohio

Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2015

(Unaudited)

### 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 2015 to 2014 follows:

**TABLE 1**  
**NET POSITION JUNE 30**

	2015	Revised 2014
<b>Assets:</b>		
Current and Other Assets	\$ 69,626,548	96,979,458
Capital Assets	<u>77,278,219</u>	<u>50,905,452</u>
Total Assets	<u>146,904,767</u>	<u>147,884,910</u>
<b>Deferred Outflows of Resources:</b>		
Pension	<u>5,126,564</u>	<u>4,347,434</u>
Total Deferred Outflows of Resources	<u>5,126,564</u>	<u>4,347,434</u>
<b>Liabilities:</b>		
Current Liabilities	10,102,069	11,847,477
Noncurrent Liabilities:		
Due Within One Year	1,021,816	890,761
Due in More than One Year:		
Net Pension Liability	69,092,920	82,089,891
Other Obligations	<u>56,371,187</u>	<u>56,671,115</u>
Total Liabilities	<u>136,587,992</u>	<u>151,499,244</u>
<b>Deferred Inflows of Resources:</b>		
Property Taxes	24,215,648	25,031,264
Payments in Lieu of Taxes	434,820	480,000
Pension	<u>12,483,395</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>37,133,863</u>	<u>25,511,264</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	37,385,200	23,021,107
Restricted	11,816,111	25,515,824
Unrestricted	<u>(70,891,835)</u>	<u>(73,315,095)</u>
Total Net Position	<u>\$ (21,690,524)</u>	<u>(24,778,164)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises 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.

## Northmont City School District, Ohio

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2015*

*(Unaudited)*

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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.

Under the new standards 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.

## Northmont City School District, Ohio

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2015*

*(Unaudited)*

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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 a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from a positive \$52,964,293 to a \$24,778,164 deficit.

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 \$21.7 million at the close of the most recent fiscal year compared with the \$24.8 million reported one year prior (revised for GASB 68 implementation).

Total assets of the District decreased by \$1.0 million, or 0.7%, from July 1, 2014 to June 30, 2015. Capital assets increased by \$26.4 million (51.8%) as the District completed the Pre-K building and continued the construction of the new High School during the fiscal year. Current year additions to capital assets during the year amounted to \$27.3 million while depreciation expense was \$803,116. At year end, capital assets represented 52.6% of total assets. Current and other asset accounts decreased by \$27.4 million during the year as cash and cash equivalents reported at June 30, 2015 were \$15.7 million less than one year prior due to the continued construction activity on the District's school facilities. Intergovernmental receivables reported at June 30, 2015 were \$11.0 million less than the amount reported one year prior as the outstanding amount of state funding provided for construction continues to decrease as the projects continue towards completion.

Total liabilities reported at June 30, 2015 decreased by \$14.9 million (9.8%) from those reported at the beginning of the year. Net pension liability (described above) decreased \$13.0 million during the year and represents approximately 51% of the total liabilities reported by the District. Remaining components of total liabilities decreased by \$1.9 million during the year as the contracts payable reported for the year were less those reported one year prior.

Total deferred inflows and outflows of resources increased significantly as the District fully recorded all pension liability components required by GASB 68 during fiscal year 2015.

Net position at June 30, 2015 was \$3.1 million more than it was at the beginning of the year. Net investment in capital assets increased as the District made scheduled debt service payments and current year additions to capital assets. Restricted net position decreased as unspent restricted resources (specifically those associated with school facilities construction projects) decreased over the year due to the ongoing capital construction projects. Unrestricted net position (deficit) improved over the year by 3.3%.

## Northmont City School District, Ohio

Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2015

(Unaudited)

A comparative analysis of change in net position for fiscal year 2015 and 2014 follows:

**TABLE 2  
CHANGE IN NET POSITION, JUNE 30**

	2015	Revised 2014
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$ 3,578,759	3,722,045
Operating Grants and Contributions	4,452,053	5,680,067
General Revenues:		
Property Taxes	28,035,731	28,327,816
Grants and Entitlements	24,106,782	21,731,471
Other	773,558	752,108
Total Revenues	60,946,883	60,213,507
<b>Expenses:</b>		
Instruction	33,758,536	33,586,851
Support Services:		
Pupils and Instructional Staff	4,903,850	4,453,231
Board of Education, Administration		
Fiscal and Business	5,554,529	5,208,449
Operation and Maintenance of Plant	3,700,099	3,542,669
Pupil Transportation	2,730,457	2,670,722
Central	415,274	363,277
Operation of Non-Instructional Services	3,507,390	3,524,010
Extracurricular Activities	1,173,754	1,108,097
Interest and Fiscal Charges	2,115,354	2,120,954
Total Expenses	57,859,243	56,578,260
<b>Change in Net Position</b>	3,087,640	3,635,247
<b>Net Position, Beginning of Year</b>	(24,778,164)	49,329,046
Restatement to Implement GASB 68	-	(77,742,457)
<b>Net Position, End of Year</b>	\$ (21,690,524)	(24,778,164)

### Governmental Activities

Net position of the District's governmental activities increased during fiscal year 2015 by approximately \$3.1 million; unrestricted net position (deficit) improved by approximately \$2.4 million during that same period. Total governmental expenses of \$57.8 million exceeded program revenues of \$8.0 million, leaving the remaining \$49.8 million to be covered by general revenues. Program revenues supported 13.9% 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 85.6% of total governmental revenue.

## Northmont City School District, Ohio

Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2015

(Unaudited)

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.

The decreases in operating grants resulted from how one particular funding source was classified in fiscal year 2015 compared with the prior year. Component of general state funding were classified as unrestricted grants and entitlements whereas a portion of this amount in the prior year was classified as operating grants associated with special education. This reclassification, as well as a \$1.8 million increase in state foundation funding (due to formula increase) account for the \$2.4 million increase in unrestricted grants and entitlements revenue reported for the current year compared with the prior year.

The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, the functional expenses reported for fiscal year 2014, which amounted to \$4,347,434, was reported using the guidance of GASB Statement No. 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the pension plans. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows and outflow of resources. The required contribution is no longer a component of pension expense under GASB 68. Using the guidance provided by GASB 68, the fiscal year 2015 statements report pension expense totaling \$3,183,391. Consequently, in order to compare fiscal year 2015 total program expenses to those of fiscal year 2014, the following adjustments are needed:

Total FY2015 program expenses under GASB 68	\$ 57,859,243
Pension expense under GASB 68	(3,183,391)
FY2015 contractually required contributions	<u>4,476,097</u>
Adjusted FY2015 program expenses	59,151,949
Total FY2014 program expenses under GASB 27	<u>56,578,260</u>
Increase in program expenses not related to pension	<u>\$ 2,573,689</u>

The largest expense of the District is for instructional programs. Instructional expenses total \$33.8 million or 58.3% of the total governmental expenses reported for fiscal year 2015 compared with 59.4% reported for the prior year. Total expenses reported for fiscal year 2015 increased by \$1.3 million over those reported for the prior year. Pupil support services expenses increased as the District opened the new Pre-Kindergarten Center for fiscal year 2015 which required additional staff to implement the full day kindergarten session options extended to students. Additional increases were realized due to increase in personnel costs throughout the District. Increase personnel cost were due to the 1.25% pay increase during fiscal year 2015 for certificated employees and the 2.75% pay increase extended to

## Northmont City School District, Ohio

Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2015

(Unaudited)

classified employees. Additional increases in expenses were realized in the premiums required to provide employees with health insurance coverage for the year. Overall total expenses reported for fiscal year 2015 were 2.3% higher than those reported for fiscal year 2014.

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 2014 are as follows:

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

	2015		2014	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 33,758,536	(30,318,130)	33,586,851	(28,550,099)
Support Services	17,304,209	(16,949,100)	16,238,348	(15,894,310)
Operation of Non-Instructional Services	3,507,390	108,026	3,524,010	(22,139)
Extracurricular Activities	1,173,754	(553,873)	1,108,097	(588,646)
Interest and Fiscal Charges	2,115,354	(2,115,354)	2,120,954	(2,120,954)
<b>Total Expenses</b>	<b>\$ 57,859,243</b>	<b>(49,828,431)</b>	<b>56,578,260</b>	<b>(47,176,148)</b>

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 2015, these two revenue sources accounted for 98.5% of the District's general revenues which financed 86.1% 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 \$72.0 million and expenditures of \$85.7 million. Overall fund balance of governmental funds decreased \$13.7 million over those at June 30, 2014.

The general fund is the primary operating fund of the District. The general fund balance increased by \$1.9 million during the year compared with a \$1.7 million increase reported in the prior year. General fund revenues increased by \$1.8 million over those of fiscal year 2014 due to the increase in intergovernmental revenue, primarily the increase in State Foundation funding previously mentioned. Expenditures of the fund increased by \$1.5 million over those reported in the prior year due to increased cost associated with providing services in the new pre-kindergarten center as well as normal inflationary factors. The ending unassigned fund balance of the general fund at June 30, 2015 (\$4.9 million) represents 9.8% of the total expenditures reported by the general fund for the year then ended.

## Northmont City School District, Ohio

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*Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2015*

*(Unaudited)*

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The District's other major fund, the classroom facilities fund, decreased its fund balance during the fiscal year, which is \$10.2 million at June 30, 2015. This fund accounts for the financial resources associated with the construction projects underway at the District. Funding sources for this fund is predominately state funding for construction and proceeds from bonds issued by the District. State funding is drawn down as the project progress and bonds were issued in a prior fiscal year. As a result, while construction activity continues to progress, it is only natural that ending fund balance of this fund decreases over the life of the construction project.

### **General Fund Budget Information**

During fiscal year 2015, the District modified the general fund's budget on a few occasions. Revenues were originally budgeted at \$50.2 million and remained virtually unchanged throughout the year. Expenditures were initially budgeted at \$55.0 million and only increased slightly during the course of the fiscal year. Actual budgetary revenues were \$962,927 higher than the budgeted revenues while actual budgetary expenditures ended nearly \$3.9 million less than the final budgeted expenditures in total as the anticipated increase in instructional spending did not occur during the fiscal year.

The ending budgetary fund balance of the general fund ended fiscal year 2015 at \$10.3 million, or nearly \$5.2 million more than the final and original budgeted balance of \$5.1 million. The higher actual budgetary fund balance resulted from higher than anticipated State Foundation revenues received during the year and the lower than expected spending in several expenditure categories as the year progressed.

The ending unencumbered cash fund balance of the General Fund at June 30, 2015 represents 20.2% of the total budgetary expenditures reported for the Fund for the year ended June 30, 2015.

### **Capital Assets**

At the end of the fiscal year 2015, the District had \$77.3 million invested in land, construction in progress, buildings, building improvements, furniture, equipment and vehicles, and infrastructure.

During the year, the District reported capital asset additions of \$48.7 million. Completion of the new Northmont Pre-Kindergarten Center accounts for \$21.4 million of the increase reported for the fiscal year. Ongoing construction related to the high school accounted for another \$26.8 million of construction in progress reported for the year. Other building improvements and vehicle purchases account for the remainder of the current year additions. Depreciation expense on all capital assets was \$803,116 for the fiscal year.

Additional information regarding capital assets can be found in Note 7 of this report.

## Northmont City School District, Ohio

Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2015

(Unaudited)

Table 4 shows the fiscal year 2015 balances compared to fiscal year 2014.

**TABLE 4**  
**CAPITAL ASSETS, JUNE 30**

	2015	2014
Land	\$ 1,398,657	1,398,657
Construction in Progress	49,136,922	43,722,642
Buildings and Improvements	23,933,876	4,110,841
Furniture, Fixtures, and Equipment	2,085,625	817,912
Vehicles	582,919	712,059
Infrastructure	140,220	143,341
<b>Total Net Capital Assets</b>	<b>\$ 77,278,219</b>	<b>50,905,452</b>

### Debt Administration

At June 30, 2015, the District had \$54.4 million in outstanding general obligation bonds, including \$83,830 of accreted interest on capital appreciation bonds and \$721,793 of unamortized premiums on bonds issued. During the fiscal year, the District paid \$365,000 in principal on bonds during fiscal year 2015 and another \$420,000 of principal is due to mature within one year.

In addition to the general obligation bonds noted above, the District financed the purchase of school busses in a prior year through a capital lease agreement. At June 30, 2015 the remaining principal outstanding on this lease agreement was \$86,619, all of which is due for payment during the next fiscal 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.

## Northmont City School District, Ohio

### Statement of Net Position June 30, 2015

	Governmental Activities	Component Unit	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Investments	\$ 38,920,664	\$ 152,860	\$ 39,073,524
Restricted Cash and Investments	685,283	-	685,283
Accounts Receivable	14,664	-	14,664
Intergovernmental Receivable	2,954,007	741	2,954,748
Due from Component Unit	130,165	-	130,165
Property and Other Local Taxes Receivable	26,921,765	-	26,921,765
Land and Construction in Progress	50,535,579	-	50,535,579
Depreciable Capital Assets, net	26,742,640	-	26,742,640
<i>Total Assets</i>	<u>146,904,767</u>	<u>153,601</u>	<u>147,058,368</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension	5,126,564	-	5,126,564
<i>Total Deferred Outflows of Resources</i>	<u>5,126,564</u>	<u>-</u>	<u>5,126,564</u>
<b>LIABILITIES:</b>			
Accounts Payable	585,477	-	585,477
Contracts Payable	2,159,587	-	2,159,587
Accrued Wages and Benefits	4,799,451	-	4,799,451
Intergovernmental Payable	977,426	-	977,426
Due to Primary Government	-	130,165	130,165
Claims Payable	31,366	-	31,366
Matured Compensated Absences Payable	511,218	-	511,218
Accrued Interest Payable	352,261	-	352,261
Retainage Payable from Restricted Assets	685,283	-	685,283
Long-Term Liabilities:			
Due Within One Year	1,021,816	-	1,021,816
Due in More Than One Year:			
Net Pension Liability	69,092,920	-	69,092,920
Other Amounts Due in More Than One Year	56,371,187	-	56,371,187
<i>Total Liabilities</i>	<u>136,587,992</u>	<u>130,165</u>	<u>136,718,157</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Property Taxes not Levied to Finance Current Year Operations	24,215,648	-	24,215,648
Payments in Lieu of Taxes not Intended to Finance Current Year Operations	434,820	-	434,820
Pension	12,483,395	-	12,483,395
<i>Total Deferred Inflows of Resources</i>	<u>37,133,863</u>	<u>-</u>	<u>37,133,863</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	37,385,200	-	37,385,200
Restricted for Debt Service	1,070,443	-	1,070,443
Restricted for Capital Outlay	9,042,805	-	9,042,805
Restricted for Classroom Facilities Maintenance	1,156,172	-	1,156,172
Restricted for Student Activities	368,481	-	368,481
Restricted for Food Service	89,438	-	89,438
Restricted for Federal and State Educational Grants	19,624	-	19,624
Restricted for Other Purposes	69,148	-	69,148
Unrestricted	(70,891,835)	23,436	(70,868,399)
<i>Total Net Position</i>	<u>\$ (21,690,524)</u>	<u>\$ 23,436</u>	<u>\$ (21,667,088)</u>

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, 2015

	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
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$ 24,460,190	\$ 760,066	\$ 120,569	\$ (23,579,555)		\$ (23,579,555)
Special	9,087,874	-	2,522,600	(6,565,274)		(6,565,274)
Vocational	197,464	-	37,171	(160,293)		(160,293)
Other	13,008	-	-	(13,008)		(13,008)
Support Services:						
Pupils	4,393,554	-	37,489	(4,356,065)		(4,356,065)
Instructional Staff	510,296	-	-	(510,296)		(510,296)
Board of Education	81,500	-	-	(81,500)		(81,500)
Administration	3,640,305	120,573	42,491	(3,477,241)		(3,477,241)
Fiscal	1,232,160	-	-	(1,232,160)		(1,232,160)
Business	600,564	-	-	(600,564)		(600,564)
Operation and Maintenance of Plant	3,700,099	10,085	-	(3,690,014)		(3,690,014)
Pupil Transportation	2,730,457	-	130,071	(2,600,386)		(2,600,386)
Central	415,274	-	14,400	(400,874)		(400,874)
Operation of Non-Instructional Services	3,507,390	2,225,170	1,390,246	108,026		108,026
Extracurricular Activities	1,173,754	462,865	157,016	(553,873)		(553,873)
Interest and Fiscal Charges	2,115,354	-	-	(2,115,354)		(2,115,354)
<b>Total Governmental Activities</b>	<b>57,859,243</b>	<b>3,578,759</b>	<b>4,452,053</b>	<b>(49,828,431)</b>		<b>(49,828,431)</b>
<b>Component Unit:</b>						
Northmont Secondary Academy	258,370	-	291,580		33,210	33,210
<b>Total Component Unit</b>	<b>258,370</b>	<b>-</b>	<b>291,580</b>		<b>33,210</b>	<b>33,210</b>
<b>Total</b>	<b>\$ 58,117,613</b>	<b>\$ 3,578,759</b>	<b>\$ 4,743,633</b>	<b>(49,828,431)</b>		<b>(49,795,221)</b>
General Revenues:						
Grants and Entitlements not Restricted to Specific Programs				24,106,782		24,106,782
Investment Earnings				9,560		9,560
Payments in Lieu of Taxes				706,986		706,986
Miscellaneous				57,012		57,012
Property Taxes Levied for:						
General Purposes				24,803,056		24,803,056
Debt Service				2,293,251		2,293,251
Capital Projects				627,233		627,233
Classroom Facilities Maintenance				312,191		312,191
<b>Total General Revenues</b>				<b>52,916,071</b>		<b>52,916,071</b>
<b>Change in Net Position</b>				<b>3,087,640</b>	<b>33,210</b>	<b>3,120,850</b>
<b>Net Position - Beginning of Year (restated)</b>				<b>(24,778,164)</b>	<b>(9,774)</b>	<b>(24,787,938)</b>
<b>Net Position - End of Year</b>				<b>\$ (21,690,524)</b>	<b>\$ 23,436</b>	<b>\$ (21,667,088)</b>

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

**Northmont City School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2015*

	General Fund	Classroom Facilities	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Investments	\$ 12,413,702	\$ 12,025,321	\$ 14,481,641	\$ 38,920,664
Restricted Cash and Investments	-	630,782	54,501	685,283
Receivables (Net):				
Taxes	23,834,399	-	3,087,366	26,921,765
Accounts	9,461	-	5,203	14,664
Intergovernmental	132,314	2,133,346	688,347	2,954,007
Interfund	15,000	-	-	15,000
Due from Component Unit	130,165	-	-	130,165
<b>Total Assets</b>	<b>\$ 36,535,041</b>	<b>\$ 14,789,449</b>	<b>\$ 18,317,058</b>	<b>\$ 69,641,548</b>
<b>LIABILITIES:</b>				
Accounts Payable	507,618	-	77,859	585,477
Accrued Wages and Benefits	4,415,904	-	383,547	4,799,451
Contracts Payable	-	1,792,124	367,463	2,159,587
Interfund Payable	-	-	15,000	15,000
Intergovernmental Payable	942,648	-	34,778	977,426
Matured Compensated Absences	504,378	-	6,840	511,218
Retainage Payable from Restricted Assets	-	630,782	54,501	685,283
Claims Payable	31,366	-	-	31,366
<b>Total Liabilities</b>	<b>6,401,914</b>	<b>2,422,906</b>	<b>939,988</b>	<b>9,764,808</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes not Levied to Finance				
Current Year Operations	21,441,934	-	2,773,714	24,215,648
Revenue in Lieu of Taxes not Intended to				
Finance Current Year Operations	-	-	434,820	434,820
Unavailable Revenue	605,685	2,133,346	79,153	2,818,184
<b>Total Deferred Inflows of Resources</b>	<b>22,047,619</b>	<b>2,133,346</b>	<b>3,287,687</b>	<b>27,468,652</b>
<b>FUND BALANCES:</b>				
<b>Restricted:</b>				
Capital Outlay	-	10,233,197	10,758,810	20,992,007
Debt Service	-	-	1,497,335	1,497,335
Food Service	-	-	240,648	240,648
Facilities Maintenance	-	-	1,156,172	1,156,172
Student Activities	-	-	368,481	368,481
State and Federal Educational Grant Programs	-	-	21,218	21,218
Other Purposes	-	-	69,148	69,148
<b>Assigned:</b>				
School Supported Activities	642,054	-	-	642,054
Future Purchase Commitments	729,104	-	-	729,104
Subsequent Appropriations	1,796,295	-	-	1,796,295
Unassigned (Deficit)	4,918,055	-	(22,429)	4,895,626
<b>Total Fund Balances</b>	<b>8,085,508</b>	<b>10,233,197</b>	<b>14,089,383</b>	<b>32,408,088</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 36,535,041</b>	<b>\$ 14,789,449</b>	<b>\$ 18,317,058</b>	<b>\$ 69,641,548</b>

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

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## Northmont City School District, Ohio

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*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2015*

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Total Governmental Fund Balances	\$	32,408,088
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.		77,278,219
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		684,838
Intergovernmental Receivable		2,133,346
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		5,126,564
Deferred Inflows - Pension		(12,483,395)
Net Pension Liability		(69,092,920)
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		(53,621,703)
Accreted Interest on Capital Appreciation Bonds		(83,830)
Capital Leases		(86,619)
Compensated Absences		(2,879,058)
Unamortized Bond Premium		(721,793)
Accrued Interest on Long-Term Debt		(352,261)
Net Position of Governmental Activities	\$	<u>(21,690,524)</u>

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, 2015*

	General Fund	Classroom Facilities	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 24,920,052	\$ -	\$ 3,249,546	\$ 28,169,598
Intergovernmental	25,582,449	9,866,122	3,743,253	39,191,824
Interest	1,493	4,804	3,263	9,560
Tuition and Fees	907,047	-	-	907,047
Rent	80,544	-	-	80,544
Extracurricular Activities	172,835	-	290,030	462,865
Gifts and Donations	117,305	-	71,160	188,465
Customer Sales and Services	366,839	-	1,905,460	2,272,299
Payments in Lieu of Taxes	-	-	706,986	706,986
Miscellaneous	11,288	-	28,632	39,920
<i>Total Revenues</i>	<u>52,159,852</u>	<u>9,870,926</u>	<u>9,998,330</u>	<u>72,029,108</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	23,458,950	-	140,526	23,599,476
Special	7,876,022	-	1,461,607	9,337,629
Vocational	215,095	-	-	215,095
Other	13,008	-	-	13,008
<b>Support Services:</b>				
Pupils	4,407,807	-	38,003	4,445,810
Instructional Staff	505,560	-	1,329	506,889
Board of Education	81,500	-	-	81,500
Administration	3,601,821	-	43,074	3,644,895
Fiscal	1,231,260	-	43,461	1,274,721
Business	584,206	-	-	584,206
Operation and Maintenance of Plant	3,693,225	-	19,685	3,712,910
Pupil Transportation	2,557,542	-	-	2,557,542
Central	397,006	-	-	397,006
Operation of Non-Instructional Services	244,221	-	3,240,549	3,484,770
Extracurricular Activities	834,972	-	275,589	1,110,561
Capital Outlay	453,040	23,614,809	4,102,849	28,170,698
<b>Debt Service:</b>				
Principal	84,024	-	365,000	449,024
Interest	5,271	-	2,105,594	2,110,865
<i>Total Expenditures</i>	<u>50,244,530</u>	<u>23,614,809</u>	<u>11,837,266</u>	<u>85,696,605</u>
<i>Net Change in Fund Balances</i>	1,915,322	(13,743,883)	(1,838,936)	(13,667,497)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>6,170,186</u>	<u>23,977,080</u>	<u>15,928,319</u>	<u>46,075,585</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 8,085,508</u>	<u>\$ 10,233,197</u>	<u>\$ 14,089,383</u>	<u>\$ 32,408,088</u>

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

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## Northmont City School District, Ohio

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*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, 2015*

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Net Change in Fund Balances - Total Governmental Funds \$ (13,667,497)

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	27,313,323
Depreciation expense	(803,116)
Book value of capital assets disposed of during year	(137,440)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (11,082,225)

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	449,024
Current year amortization of bond premium	23,591
Current year accretion of interest on capital appreciation bonds	(31,096)

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	3,016
Compensated absences	(272,646)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of activities reports these amounts as deferred outflows. 4,476,097

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.

(3,183,391)

Change in Net Position of Governmental Activities \$ 3,087,640

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

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**Northmont City School District, Ohio**

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*Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2015*

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	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 70,217
<i>Total Assets</i>	<u>\$ 70,217</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 2,075
Due to Students	<u>68,142</u>
<i>Total Current Liabilities</i>	<u>70,217</u>
<i>Total Liabilities</i>	<u>\$ 70,217</u>

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

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### **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 Constitutions 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:

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 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 \$255,829, including \$130,165 reported as a payable at year end, for contract services provided by the District during fiscal year 2015. 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 19 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 four organizations, which are defined as jointly governed organizations and insurance purchasing pools. The jointly governed organizations include the Southwestern Ohio Educational Purchasing Council (SOEPC), Metropolitan Dayton Educational Cooperative Association (MDECA), and the Southwestern Ohio Instructional Technology Association (SOITA). These organizations are presented in Note 18 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 17.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 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.

Classroom Facilities Fund - The classroom facilities fund is used to account for the restricted resources to construction projects and the expenditures thereof.

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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 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

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

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.

#### 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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

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, 2015, but which are not intended to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 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 which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

The District has invested funds in repurchase agreements, money market mutual funds, and State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2015. 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, 2015.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2015 amounted to \$1,493 in the general funds, \$4,804 in the classroom facilities and \$3,263 in other governmental funds.

#### 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 at their fair market 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). 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:

<u>Description</u>	<u>Useful Life</u>
Buildings and Improvements	20-50 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	8 years
Infrastructure	100 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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

#### **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.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. 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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

#### **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.

#### **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 position 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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

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.

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.

#### **I. 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 \$11,816,111 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.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

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 and Restatement of Net Position**

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 and GASB 71 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

	<u>Governmental Activities</u>
Net Position at June 30, 2014 as previously reported	\$ 52,964,293
Adjustments:	
Net Pension Liability at June 30, 2014	(82,089,891)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>4,347,434</u>
Net Position at June 30, 2014 as restated	<u>\$ (24,778,164)</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 3. Accountability (continued)

#### b. Deficit Fund Balances

Individual fund deficits reported at June 30, 2015 include the following:

Non-Major Funds	Deficit
IDEA, Part B Grant	\$ 17,950
Title VI-R	4,479

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).

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;

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 4. **Deposits and Investments** (continued)

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 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 \$19,897,144. Based on the criteria described in GASB Statement 40, "Deposits and Investment Risk Disclosures", \$21,907,956 of the District's bank balance of \$22,928,932 was exposed to custodial risk as discussed below, while \$1,020,976 was covered by Federal Deposit Insurance Corporation.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 4. Deposits and Investments (continued)

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, 2015, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Mutual Fund	\$ 5,653,915	0.000
Repurchase Agreement	12,677,482	0.000
STAROhio	<u>1,447,622</u>	0.000
Total	<u>\$ 19,779,019</u>	
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. 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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 4. **Deposits and Investments** (continued)

#### *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, 2015:

<u>Investment Type</u>	<u>% of Portfolio</u>
Money Market Mutual Fund	28.58%
Repurchase Agreement	64.10%
STAROhio	7.32%
Total	100.00%

### 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; if paid semi-annually, the first payment is due December 31 with the regular payment due 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, 2015, are available to finance fiscal year 2015 operations. The amount available for advance can vary based on the date the tax bills are sent.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 5. Property Taxes (continued)

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, 2015. 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, 2015 was \$1,505,436 for the General Fund and \$198,069 for Other Governmental Funds and is recognized as revenue in the Governmental Funds.

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 2015 taxes were collected are:

	<b>2015 First Half Collections</b>	<b>2014 Second Half Collections</b>
Real Estate		
Residential /Agricultural and Other Real Estate	\$ 612,092,380	\$ 631,028,000
Public Utility Property	13,453,000	12,816,000
Total	\$ 625,545,380	\$ 643,844,000

### 6. Receivables

Receivables at June 30, 2015, 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:

<b>Governmental Activities:</b>	<b>Amount</b>
School Facilities Construction Funding	\$ 2,133,346
Payments in Lieu of Taxes	487,405
Casino Profit Allocation	132,314
Title VI-B	99,667
Title I	85,500
Improving Teacher Quality	11,335
Miscellaneous Federal Grants	4,440
Total	\$ 2,954,007

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 7. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance at 7/1/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/2015</u>
<b><u>Capital Assets, not being depreciated:</u></b>				
Land	\$ 1,398,657	\$ -	\$ -	\$ 1,398,657
Construction in Progress	43,722,642	26,816,936	21,402,656	49,136,922
	<u>45,121,299</u>	<u>26,816,936</u>	<u>21,402,656</u>	<u>50,535,579</u>
<b><u>Capital Assets, being depreciated:</u></b>				
Building and Improvements	19,717,985	20,425,029	799,426	39,343,588
Furniture and Equipment	4,390,594	1,452,066	480,845	5,361,815
Vehicles	3,949,754	21,948	-	3,971,702
Infrastructure	156,031	-	-	156,031
	<u>28,214,364</u>	<u>21,899,043</u>	<u>1,280,271</u>	<u>48,833,136</u>
<b><u>Less: Accumulated Depreciation:</u></b>				
Building and Improvements	15,607,144	498,635	696,067	15,409,712
Furniture and Equipment	3,572,682	150,272	446,764	3,276,190
Vehicles	3,237,695	151,088	-	3,388,783
Infrastructure	12,690	3,121	-	15,811
	<u>22,430,211</u>	<u>803,116</u> *	<u>1,142,831</u>	<u>22,090,496</u>
<b>Capital Assets, being depreciated, net</b>	<u>5,784,153</u>	<u>21,095,927</u>	<u>137,440</u>	<u>26,742,640</u>
<b>Total Capital Assets, net</b>	<u>\$ 50,905,452</u>	<u>\$ 47,912,863</u>	<u>\$ 21,540,096</u>	<u>\$ 77,278,219</u>

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

Instruction:	
Regular	\$ 530,306
Special	5,047
Support Services:	
Pupil Support	1,006
Instructional Staff	1,250
Administration	16,428
Business	98
Operation and Maintenance of Plant	11,287
Pupil Transportation	147,405
Non-Instructional Services	26,818
Extracurricular Activities	63,471
<b>Total Depreciation Expense</b>	<u>\$ 803,116</u>

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 8. Interfund Transactions

Interfund balances on the fund statements at June 30, 2015 consist of the following receivables and payables:

Fund	Receivable	Payable
General Fund	\$ 15,000	
Other Governmental Funds:		
IDEA, Part B Grant Fund		\$ 5,000
Title I Grant Fund		5,000
Title II-A, Improving Teacher Quality Grant Fund		5,000
	\$ 15,000	\$ 15,000

Advances were made during the year to provide additional resources until grant funding is received. All advances are expected to be returned to the general fund within one year from June 30, 2015.

### 9. Long-Term Obligations

The activity of the District's long-term obligations during fiscal year 2015 was as follows:

	Revised Balance 7/1/2014	Increase	Decrease	Balance 6/30/2015	Amount Due Within One Year
<b>Governmental Activities:</b>					
2012A Bonds:					
Current Interest Bonds	\$ 44,455,000	\$ -	\$ (265,000)	44,190,000	\$ 320,000
Capital Appreciation Bonds	121,703	-	-	121,703	-
Accretion of Interest	52,734	31,096	-	83,830	-
2012B Bonds:					
Serial Bonds	5,920,000	-	(100,000)	5,820,000	100,000
Term Bonds	3,490,000	-	-	3,490,000	-
Premium on Bonds	745,384	-	(23,591)	721,793	-
Total General Obligation Bonds	54,784,821	31,096	(388,591)	54,427,326	420,000
Net Pension Liability:					
STRS	66,610,566	-	(10,691,382)	55,919,184	-
SERS	15,479,324	-	(2,305,588)	13,173,736	-
Total Net Pension Liability	82,089,890	-	(12,996,970)	69,092,920	-
Other Long-Term Obligations:					
Capital Leases	170,643	-	(84,024)	86,619	86,619
Compensated Absences	2,606,412	714,383	(441,737)	2,879,058	515,197
Total Governmental Activities	\$ 139,651,766	\$ 745,479	\$ (13,911,322)	\$ 126,485,923	\$ 1,021,816

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 9. Long-Term Obligations (continued)

Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund. 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.

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

Fiscal Year	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 420,000	\$ 2,099,044	\$ 2,519,044	\$ -	\$ -	\$ -
2017	430,000	2,092,669	2,522,669	-	-	-
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
2021-2025	3,250,000	10,149,397	13,399,397	-	-	-
2026-2030	4,765,000	9,519,088	14,284,088	-	-	-
2031-2035	6,705,000	8,591,134	15,296,134	-	-	-
2036-2040	8,920,000	7,094,450	16,014,450	-	-	-
2041-2045	11,910,000	5,018,781	16,928,781	-	-	-
2046-2050	16,045,000	2,041,124	18,086,124	-	-	-
Total	<u>\$ 53,500,000</u>	<u>\$ 52,841,856</u>	<u>\$ 106,341,856</u>	<u>\$ 121,703</u>	<u>\$ 308,297</u>	<u>\$ 430,000</u>

### b. Capitalized Leases

The District has one lease for school buses.

The District's leases meet the criteria of capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lease. Capital lease payments were made from the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

**9. Long-Term Obligations** (continued)

<u>Fiscal Year Ended June 30,</u>	<u>Total Payments</u>
2016	\$ 89,295
Total Minimum Lease Payments	89,295
Less: Amount Representing Interest	<u>(2,676)</u>
Present Value of Minimum Lease Payments	<u>\$ 86,619</u>

Capital assets acquired under capital leases are as follows:

Vehicles	\$341,440
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**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 2015, 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
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	10,000,000

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 10. Risk Management (Continued)

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

Beginning in January, 2013, the District began to self-insure 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
2015	\$ 41,664	\$ 163,555	\$ 173,853	\$ 31,366
2014	21,591	164,631	144,558	41,664

### 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.

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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 11. **Pension Plans** (continued)

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)***

Plan Description – District 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](http://www.ohsers.org) under Employers/Audit Resources.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,090,905 for fiscal year 2015; \$209,862 of contributions is reported within intergovernmental payable at June 30, 2015.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 11. **Pension Plans** (continued)

#### **Plan Description - State Teachers Retirement System (STRS)**

Plan Description – District 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](http://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

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 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, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 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 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,385,192 for fiscal year 2015; \$542,580 of contributions is reported within intergovernmental payable at June 30, 2015.

#### ***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, 2014, 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.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 11. Pension Plans (continued)

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

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 13,173,736	\$ 55,919,184	\$ 69,092,920
Proportion of the net pension liability	0.260302%	0.22989814%	
Pension expense	\$ 734,410	\$ 2,448,982	\$ 3,183,392

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 112,123	\$ 538,344	\$ 650,467
School District contributions subsequent to the measurement date	1,090,905	3,385,192	4,476,097
Total	\$ 1,203,028	\$ 3,923,536	\$ 5,126,564
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on pension plan investments	\$ 2,138,134	\$ 10,345,261	\$ 12,483,395

\$4,476,097 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, 2016. 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:			
2016	\$ (506,503)	\$ (2,451,729)	\$ (2,958,232)
2017	(506,503)	(2,451,729)	(2,958,232)
2018	(506,503)	(2,451,729)	(2,958,232)
2019	(506,502)	(2,451,730)	(2,958,232)
	\$ (2,026,011)	\$ (9,806,917)	\$ (11,832,928)

## Northmont City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

### 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, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 11. Pension Plans (continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
US stocks	22.50%	5.00%
Non-US stocks	22.50%	5.50%
Fixed income	19.00%	1.50%
Private equity	10.00%	10.00%
Real assets	10.00%	5.00%
Multi-asset strategies	<u>15.00%</u>	7.50%
Total	<u>100.00%</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 11. Pension Plans (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 18,795,007	\$ 13,173,736	\$ 8,445,761

#### **Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, 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.

Actuarial assumptions used in the June 30, 2014, 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	<u>1.00%</u>	3.00%
Total	<u>100.00%</u>	

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 11. Pension Plans (continued)

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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 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, 2014. 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, 2014.

**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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 80,054,408	\$ 55,919,184	\$ 35,508,906

### **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, 2015, two members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 12. Post-employment Benefits

#### ***School Employees Retirement System***

##### Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan. Sections 3309.375 and 3309.69 of the Ohio Revised Code (ORC) permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS offers several types of health plans from various vendors, including HMO's, PPO's, 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 prescriptions drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

##### Funding Policy

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 benefits, the Retirement Board allocates the remained of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is 0.82%. An additional health care surcharge on employees is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. By statute no employer shall pay health care surcharge greater than 2% or that employer's SERS- covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contribution assigned to health care for the years ended June 30, 2015, 2014, and 2013 were \$188,261, \$132,746, and \$133,798, 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, dependents, or surviving beneficiaries. Premiums vary depending on plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Reports*. The reports can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800)878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 12. **Post-employment Benefits** (continued)

#### ***State Teachers Retirement System***

##### Plan Description

The School District contributes to the cost sharing multiple employer defined 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.strosh.org](http://www.strosh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

##### 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 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. For 2015, STRS Ohio did not allocate any portion of the employer contributions to the Health Care Stabilization Fund. The School District contributions for the years ended June 30, 2015, 2014, and 2013 were \$0, \$238,458, and \$231,467, respectively; 100% for all fiscal years.

### 13. **Other Employee Benefits**

#### Retirement Incentive

The District Board of Education approved a Retirement Incentive Program. Participation was open to employees who are eligible, by June 30 of any given year, to retire under the State Teachers Retirement System of Ohio. Employees are required to give written notice to the Superintendent by March 30 of the year he/she first becomes eligible for "full retirement" under the State Teachers Retirement System of Ohio and must do so prior to exceeding 30 years of service with the District. The Board did not limit the number of employees participating in the plan in any one year. The retirement incentive is equal to \$1,000 times each year of Northmont service, not to exceed \$20,000 provided that such unit member has at least 10 years of Northmont service, five years of which must be consecutive and in a paid status immediately prior to retirement. At June 30, 2015, the District had two employees who had chosen to accept the retirement incentive. The liability at June 30, 2015, for those two employees of \$37,000 has been included in the matured compensated absences liability in the fund from which the employee's salary will be paid.

## Northmont City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

### 13. Other Employee Benefits (Continued)

#### Insurance Benefits

The District provides health insurance through Southwestern Ohio Educational Purchasing Council. Life insurance, and accidental death and dismemberment insurance are provided by Anthem Life Insurance.

### 14. 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.

	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2014	\$ -
Current year set-aside requirements	862,160
Current year offset - PI Levy	<u>(1,076,521)</u>
Total	<u>\$ (214,361)</u>
Set-aside cash balance as of June 30, 2015	<u>\$ -</u>

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.

### 15. 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.

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 15. Commitments (Continued)

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 1,042,604
Classroom Facilities	16,265,035
Other governmental funds	2,628,944
Total	<u>\$ 19,936,583</u>

#### Construction Contracts

At June 30, 2015, the District had \$18.3 million of construction contract commitments associated with the construction of the new high school building outstanding.

### 16. 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, 2015, if applicable, cannot be determined at this time.

#### **b. Full-Time Equivalency Review**

The Ohio Department of Education began conducting reviews of enrollment and full-time equivalency (FTE) calculations made by the school districts within the State starting for 2015. These reviews are being conducted to ensure the school districts are reporting accurate student enrollment data to the State, which is used in determining state funding allocations. The conclusions of such reviews could result in adjustments to state funding allocations for the fiscal years being reviewed. The fiscal year 2015 reviews have not been completed as of the date of these financial statements, however, management does not anticipate significant adjustments to its state funding allocation to result when reviews are completed.

#### **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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### **17. 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.

### **18. 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 2015, the District paid \$227,887 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Kenneth Swink, who serves as Director, at 303 Corp. Center, Suite 208, Vandalia, Ohio 45377.

#### **b. Metropolitan Dayton Educational Cooperative Association**

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

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### **18. Jointly Governed Organizations (Continued)**

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by the majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. During fiscal year 2015, the District paid MDECA \$121,237 for services provided during the year. Financial information can be obtained from MDECA at 225 Linwood Street, Dayton, Ohio 45405.

#### **c. Southwestern Ohio Instructional 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. 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 2015, the District paid \$2,322 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

### **19. 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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 19. **Northmont Secondary Academy** (Continued)

#### 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. 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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 19. **Northmont Secondary Academy** (Continued)

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

*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.

Generally accepted accounting principles require the Academy to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying financial statement of net position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statement of revenues, expenses and changes in net position. The Academy believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

#### Deposits

At June 30, 2015, the carrying amount of all Academy deposits was \$152,860. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, none of the Academy's bank balance of \$152,860 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

## Northmont City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

### 19. Northmont Secondary Academy (Continued)

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, 2015, contract services expenses through Northmont City School District were as follows, which include \$130,165 reported as a payable at fiscal year-end:

Purchased Instructional Services	\$255,829
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The above transactions are related party transactions since these services are purchased through the Sponsor, Northmont City School District.

#### 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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### 19. **Northmont Secondary Academy** (Continued)

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 has 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 pursuant to Ohio Revised Code Section 2217.11 as follows:

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.

## Northmont City School District, Ohio

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

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 2015, payments were made by the Academy to the Sponsor totaling \$125,664. These represent payments for reimbursements for services provided by the Sponsor to the Academy. Total amount due back to the District from the Academy is \$130,165.

**20. Subsequent Events**

The District entered into a construction contract with Monarch on December 7, 2015 for the renovation of the old high school auditorium and commons area, for an amount not to exceed \$3,250,000.

**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, 2015*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property Taxes	\$ 24,270,000	\$ 24,270,000	\$ 24,470,470	\$ 200,470
Intergovernmental	25,045,000	25,019,470	25,754,153	734,683
Interest	2,000	1,450	1,493	43
Tuition and Fees	877,100	798,588	822,038	23,450
Rent	19,000	22,623	23,287	664
Customer Sales and Services	-	117,208	120,650	3,442
Miscellaneous	7,200	5,961	6,136	175
<i>Total Revenues</i>	<u>50,220,300</u>	<u>50,235,300</u>	<u>51,198,227</u>	<u>962,927</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	26,072,359	24,889,198	24,708,645	180,553
Special	8,998,101	9,157,250	7,887,935	1,269,315
Vocational	245,115	213,505	213,505	-
Other	43,815	52,630	12,620	40,010
<b>Support Services:</b>				
Pupils	4,406,584	4,403,131	4,300,048	103,083
Instructional Staff	521,000	518,733	508,735	9,998
Board of Education	154,345	213,844	81,500	132,344
Administration	3,665,640	3,740,741	3,542,984	197,757
Fiscal	1,187,354	1,217,509	1,167,803	49,706
Business	484,320	511,447	485,007	26,440
Operation and Maintenance of Plant	4,211,340	4,555,127	3,752,044	803,083
Pupil Transportation	3,018,050	3,133,701	2,618,196	515,505
Central	440,847	469,435	390,746	78,689
Extracurricular Activities	619,000	646,809	646,809	-
Capital Outlay	915,074	1,280,147	801,235	478,912
<i>Total Expenditures</i>	<u>54,982,944</u>	<u>55,003,207</u>	<u>51,117,812</u>	<u>3,885,395</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(4,762,644)</u>	<u>(4,767,907)</u>	<u>80,415</u>	<u>4,848,322</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Advances In	15,000	15,000	15,000	-
Refund of Prior Year Expenditures	20,000	5,000	4,290	(710)
Transfers Out	(3,000)	-	-	-
Advances Out	(15,000)	(15,000)	(15,000)	-
Other Financing Uses	(362,700)	(345,437)	-	345,437
<i>Total Other Financing Sources (Uses)</i>	<u>(345,700)</u>	<u>(340,437)</u>	<u>4,290</u>	<u>344,727</u>
<i>Net Change in Fund Balance</i>	<u>(5,108,344)</u>	<u>(5,108,344)</u>	<u>84,705</u>	<u>5,193,049</u>
Fund Balance, July 1	7,853,716	7,853,716	7,853,716	-
Prior Year Encumbrances	2,397,960	2,397,960	2,397,960	-
Fund Balance, June 30	<u>\$ 5,143,332</u>	<u>\$ 5,143,332</u>	<u>\$ 10,336,381</u>	<u>\$ 5,193,049</u>

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 Two Fiscal Years (1)

	2014	2013
<b>School Employees Retirement System of Ohio:</b>		
District's Proportion of the Net Pension Liability	0.260302%	0.260302%
District's Proportionate Share of the Net Pension Liability	\$ 13,173,736	\$ 15,479,324
District's Covered-Employee Payroll	\$ 7,640,260	\$ 7,272,052
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.43%	212.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%
<b>State Teachers Retirement System of Ohio</b>		
District's Proportion of the Net Pension Liability	0.22989814%	0.22989814%
District's Proportionate Share of the Net Pension Liability	\$ 55,919,184	\$ 66,610,566
District's Covered-Employee Payroll	\$ 25,296,108	\$ 24,535,515
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	271.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

## Northmont City School District, Ohio

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

	2015	2014	2013	2012	2011
<b>School Employees Retirement System of Ohio:</b>					
Contractually Required Contribution	\$ 1,090,905	\$ 1,058,940	\$ 1,006,452	\$ 1,015,499	\$ 1,024,220
Contributions in Relation to the Contractually Required Contribution	<u>(1,090,905)</u>	<u>(1,058,940)</u>	<u>(1,006,452)</u>	<u>(1,015,499)</u>	<u>(1,024,220)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
District Covered-Employee Payroll	8,276,973	7,640,260	7,272,052	7,550,178	8,148,130
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%
<b>State Teachers Retirement System of Ohio</b>					
Contractually Required Contribution	\$ 3,385,192	\$ 3,288,494	\$ 3,189,617	\$ 3,288,432	\$ 3,393,696
Contributions in Relation to the Contractually Required Contribution	<u>(3,385,192)</u>	<u>(3,288,494)</u>	<u>(3,189,617)</u>	<u>(3,288,432)</u>	<u>(3,393,696)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
District Covered-Employee Payroll	24,179,943	25,296,108	24,535,515	25,295,631	26,105,354
Contributions as a Percentage of Covered-Employee Payroll	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.

## Northmont City School District, Ohio

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### *Notes to the Required Supplemental Information For the Fiscal Year Ended June 30, 2015*

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#### **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 2015.

##### *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.

## Northmont City School District, Ohio

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### *Notes to the Required Supplemental Information For the Fiscal Year Ended June 30, 2015*

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#### **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);

## Northmont City School District, Ohio

*Notes to the Required Supplemental Information  
For the Fiscal Year Ended June 30, 2015*

### **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	\$ 84,705
Adjustments:	
Revenue Accruals	281,468
Expenditure Accruals	410,257
Encumbrances	965,955
Other Financing Sources(Uses)	(4,290)
Perspective Budgeting Difference **	177,227
GAAP Basis	\$ 1,915,322

\*\* 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.

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. Department of Agriculture</b>					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$208,503		\$208,503	
National School Lunch Program	10.555	1,069,010	\$183,339	1,069,010	\$183,339
Total Child Nutrition Cluster		<u>1,277,513</u>	<u>183,339</u>	<u>1,277,513</u>	<u>183,339</u>
Total U.S. Department of Agriculture		<u>1,277,513</u>	<u>183,339</u>	<u>1,277,513</u>	<u>183,339</u>
<b>U.S. Department of Education</b>					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	617,000		616,217	
Special Education Cluster:					
Special Education_Grants to States	84.027	931,652		936,015	
Special Education_Preschool Grants	84.173	3,080		6,049	
Total Special Education Cluster		<u>934,732</u>		<u>942,064</u>	
English Language Acquisition State Grants	84.365	24,239		25,694	
Improving Teacher Quality State Grants	84.367	120,755		120,788	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	19,471		19,471	
Total U.S. Department of Education		<u>1,716,197</u>		<u>1,724,234</u>	
Total Federal Financial Assistance		<u>\$2,993,710</u>	<u>\$183,339</u>	<u>\$3,001,747</u>	<u>\$183,339</u>

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

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Northmont City School District's (the District's) federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - 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 C - FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## 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 Northmont City School District, Montgomery County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2016, wherein we noted the District adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

### ***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 opinion 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 considered material weaknesses. However, unidentified material weaknesses may exist.

***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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 22, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the 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) *Circular A-133, Compliance Supplement* that could directly and materially affect Northmont City School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the 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 its major federal program for the year ended June 30, 2015.

**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 the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 22, 2016

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: School Breakfast Program: CFDA #10.553 National School Lunch Program: CFDA #10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

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

None.

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	Significant Deficiency - Audit Adjustments – Property taxes receivable adjusted for delinquencies and amounts available for advance at June 30, 2014.	No	Partially Corrected – Property taxes receivable were properly reported for fiscal year 2015. A management letter comment has been issued related to other financial statement errors that were identified for the fiscal year 2015 audit.



# Dave Yost • Auditor of State

**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  
APRIL 5, 2016**