

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Education
Northmont City School District
4001 Old Salem Road
Englewood, Ohio 45322

We have reviewed the *Independent Auditors' Report* of Northmont City School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Northmont City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 21, 2021

This page intentionally left blank.

TABLE OF CONTENTS

Independent Auditors' Report	1 – 2
Basic Financial Statements:	
Management's Discussion and Analysis	3 - 12
Statement of Net Position.....	13
Statement of Activities	14
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Changes in Fiduciary Net Position – Custodial Fund	19
Notes to the Basic Financial Statements.....	20 - 63
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund – Budget (Non-GAAP Basis) and Actual.....	65
Schedule of the District's Proportionate Share of the Net Pension Liability	66
Schedule of the District's Contributions – Pension Plans	67
Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset).....	68
Schedule of the District's Contributions – OPEB Plans	69
Notes to the Required Supplemental Information.....	70 - 75
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76 - 77
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	78 - 79
Schedule of Expenditures of Federal Awards.....	80
Notes to the Schedule of Expenditures of Federal Awards	81
Schedule of Findings and Questioned Costs.....	82

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

Board of Education
Northmont City School District
4001 Old Salem Road
Englewood, Ohio 45322

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmont City School District (the "District"), as of and for the year ended June 30, 2020, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmont City School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, during fiscal year ended June 30, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. Our auditors' opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule and schedules of the District's pension and OPEB amounts and contributions, as listed in the tables of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 28, 2020

Northmont City School District, Ohio

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

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, 2020. 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, 2020, the liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources by \$2.7 million, which is a decrease from the \$1.6 million positive net position reported for the end of the prior year.
- For fiscal year 2020, the District's net position decreased by \$4.3 million compared with the \$7.9 million increase in net position for fiscal year 2019. The large swing in the operating results of the District relates to pension and other post-employment benefit (OPEB) plans activity recorded annually.
- As of the close of the current fiscal year, the combined governmental fund balances of the District were \$33.3 million; which was a decrease of \$118,568 from the combined fund balance reported for the prior year. The slight decrease was due to increased expenditures in the nonmajor governmental funds, which exceeded current year revenues.
- At the end of the current fiscal year, the unassigned fund balance for the general fund, the District's operating fund, was \$15.4 million or 25.9% 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

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2020*

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, 2020, 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 various State tournament games held within the District. The District's fiduciary activities are reported separately from the governmental activities. We exclude these activities from the District's other financial statements because these resources cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

Required Supplementary Information

The Governmental Accounting Standards Board (GASB) requires that certain information be presented to supplement the basic financial statements to place the basic financial statements in the appropriate operational, economic, or historical context. This required information is presented after the notes to the basic financial statements and contains the budgetary schedule for the General Fund, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District's Contributions – Pension Plans, the Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset), the Schedule of the District's Contributions – OPEB Plans, and the notes to the required supplemental information.

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2020*

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 2020 to 2019 follows:

**TABLE 1
NET POSITION JUNE 30**

	2020	Restated 2019
Assets:		
Current and Other Assets	\$ 72,117,628	71,925,246
Net OPEB Asset	3,897,853	3,743,937
Capital Assets	<u>86,553,402</u>	<u>88,372,005</u>
Total Assets	<u>162,568,883</u>	<u>164,041,188</u>
Deferred Outflows of Resources:		
Pension and OPEB	15,030,017	18,135,314
Deferred Loss on Refunding	<u>1,083,518</u>	<u>1,121,536</u>
Total Deferred Outflows of Resources	<u>16,113,535</u>	<u>19,256,850</u>
Liabilities:		
Current Liabilities	8,990,149	7,785,256
Noncurrent Liabilities:		
Due Within One Year	1,457,861	1,541,383
Due in More than One Year:		
Net Pension Liability	66,926,117	64,990,861
Net OPEB Liability	6,413,330	6,754,800
Other Obligations	<u>57,808,458</u>	<u>58,730,144</u>
Total Liabilities	<u>141,595,915</u>	<u>139,802,444</u>
Deferred Inflows of Resources:		
Pension and OPEB	10,377,248	11,886,211
Other	<u>29,447,123</u>	<u>30,001,593</u>
Total Deferred Inflows of Resources	<u>39,824,371</u>	<u>41,887,804</u>
Net Position:		
Net Investment in Capital Assets	35,546,778	37,456,060
Restricted	5,983,226	6,474,304
Unrestricted	<u>(44,267,872)</u>	<u>(42,322,574)</u>
Total Net Position	<u>\$ (2,737,868)</u>	<u>1,607,790</u>

The net pension liability (NPL) is reported pursuant to GASB 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27", and the net OPEB asset/liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". For reasons discussed below, many end users of this financial statement will gain a clearer

Northmont City School District, Ohio

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting net OPEB asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 required the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement systems. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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.

Northmont City School District, Ohio

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these assets/liabilities but are outside the control of the local government. In the event the contributions, investment returns, and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

As noted earlier, increases or decreases in net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources resulting in \$2.7 million net position deficit at the close of the most recent fiscal year compared with the \$1.6 million positive balance reported one year prior. If the effects of the pension and OPEB allocations are eliminated from the financial statement, the District's net position would be a positive \$62.1 million instead of the \$2.7 million deficit reported at the end of the current fiscal year. We feel this is important to mention as the management of the District has no control over the management of the State-wide pension or OPEB plans or the benefits offered; both of which control the net pension and OPEB assets/liabilities amounts which have a significant effect on the District's financial statements.

Total assets of the District decreased by \$1.5 million, or 0.9%, from June 30, 2019 to June 30, 2020. Capital assets decreased by \$1.8 million (2.1%) as the District's depreciation expense reported for the year exceeded current year capital asset additions. At year end, capital assets represented 53.2% of total assets. Current and other asset accounts did not change significantly from those reported at the end of the prior year. Deferred outflows of resources decreased by \$3.1 million (16.3%) over those reported for the prior year due to current year amortization of deferred pension and OPEB related changes.

Total liabilities reported at June 30, 2020 increased by \$1.8 million (1.3%) from those reported at the beginning of the year. Net pension and OPEB liabilities (described above) increased \$1.6 million during the year and represent approximately 51.8% of the total liabilities reported by the District. Remaining components of total liabilities increased by \$199,685 during the year as the increase in accrued wages and benefits payable (primarily due to increase in the cost of benefits) was larger than the decrease in long-term liabilities reported at year-end. The long-term liabilities decreased as schedule debt service payments were larger than the increase reported for compensated absences liabilities for fiscal year 2020. Deferred outflows also decreased due primarily to current year amortization of deferred pension and OPEB related changes.

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2020*

Net position at June 30, 2020 was \$4.3 million less than the restated balance reported for the beginning of the year. Net investment in capital assets decreased as the depreciation expense for the year exceeded the capital asset additions plus principal payments on capital related debt during the year. Restricted net position also decreased as accreted interest on capital appreciation bonds increased for the current fiscal year which is offset against cash being accumulated to service future debt service. Unrestricted net position (deficit) declined 4.6%, or \$1.9 million, as the activity of the pension and OPEB liabilities and components are closed through the unrestricted net position account.

A comparative analysis of change in net position for fiscal years 2020 and 2019 follows:

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

	2020	Restated 2019
Revenues:		
Program Revenues:		
Charges for Services	\$ 3,732,060	4,507,348
Operating Grants and Contributions	5,246,880	5,443,564
General Revenues:		
Property Taxes	32,338,099	30,836,105
Grants and Entitlements	28,703,526	28,997,248
Other	1,354,160	1,026,987
Total Revenues	71,374,725	70,811,252
Expenses:		
Instruction	46,168,595	38,045,643
Support Services:		
Pupils and Instructional Staff	6,336,713	4,433,275
Board of Education, Administration		
Fiscal and Business	6,986,570	4,877,070
Operation and Maintenance of Plant	4,921,829	4,681,580
Pupil Transportation	3,321,920	3,029,523
Central	547,611	425,159
Operation of Non-Instructional Services	3,948,280	3,923,953
Extracurricular Activities	1,519,481	1,557,152
Interest and Fiscal Charges	1,969,384	1,961,660
Total Expenses	75,720,383	62,935,015
Change in Net Position	(4,345,658)	7,876,237
Net Position, Beginning of Year	1,607,790	(6,268,447)
Net Position, End of Year	\$ (2,737,868)	1,607,790

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2020*

Governmental Activities

The net position of the District's governmental activities decreased during fiscal year 2020 with total net position reported at June 30, 2020 being a deficit \$2.7 million compared with a positive \$1.6 million reported one year prior. Total governmental expenses of \$75.7 million exceeded program revenues of \$9.0 million, leaving the remaining \$66.7 million to be covered by general revenues. Program revenues supported 11.9% 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 85.5% of total governmental revenue.

The property tax laws in Ohio create the need to periodically seek voter approval for additional operating funds. In general, tax revenues generated from a levy do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts must periodically return to the ballot and ask voters for additional resources to maintain current programs.

Overall, program revenue reported for fiscal year 2020 was \$971,972 less than the amount reported in for the prior year. The majority of the decrease in program revenue reported for the current fiscal year relates to non-instructional services and was caused by the disruptions to operations, primarily food service, caused by the pandemic and the subsequent stay-at-home orders occurring during the last quarter of fiscal year 2020.

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 2019 are as follows:

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

	2020		2019 - Restated	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 46,168,595	(41,919,357)	38,045,643	(33,485,753)
Support Services	22,114,643	(21,620,339)	17,446,607	(17,146,620)
Operation of Non-Instructional Services	3,948,280	(522,786)	3,923,953	197,625
Extracurricular Activities	1,519,481	(709,577)	1,557,152	(587,695)
Interest and Fiscal Charges	1,969,384	(1,969,384)	1,961,660	(1,961,660)
Total Expenses	\$ 75,720,383	(66,741,443)	62,935,015	(52,984,103)

Northmont City School District, Ohio

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

The largest expense of the District, instructional programs, total \$46.2 million or 61.0% of the total governmental expenses reported for fiscal year 2020 compared with 60.5% reported for the prior year. Total expenses reported for fiscal year 2020 increased by \$12.8 million over those reported for the prior year. To properly analyze the change in expenses, the reader should remove the effects of recognizing the District's proportionate share of the pension and OPEB plans from the reported expenses. In the prior year, the District allocated negative \$7.8 million (total pension/OBEP expense and deferral of annual contributions) of expenses to the functional categories based on activity of the plans for the measurement period. For the current fiscal year, the amount allocated to the functional expense categories was a positive \$3.0 million, or a \$10.8 million swing in total expenses reported. If expenses related to activity of pension and OPEB plans are excluded from each year, total expenses would have increased by approximately 2.8% for the current year due primarily to increased cost of personnel (wage and benefit increases) for the current fiscal year.

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 2020, these two revenue sources accounted for 97.8% of the District's general revenues which represent 85.5% of the District's total revenue received during the fiscal year. The non-instructional service, primarily food service operations, has historically been the only functional area which generates program revenues to cover most of the functional expenses reported.

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 \$71.5 million and expenditures of \$71.8 million. Overall fund balance of governmental funds decreased \$118,568 over those at June 30, 2019.

The general fund is the primary operating fund of the District. The general fund balance increased by \$398,144 during the year compared with the \$3.3 million increase reported in the prior year. General fund revenues increased slightly, 0.2%, from those reported in fiscal year 2019 as the increase in property taxes (due to property reevaluation) being offset by the decrease in unrestricted intergovernmental funding (State foundation) as the State reduced funding to school districts in an attempt to deal with the financial implications of the pandemic. Expenditures of the fund increased by 5.3% due to the increased cost of personnel as well as inflationary factors. The District administration continues its efforts to restrict budgetary growth. The ending unassigned fund balance of the general fund at June 30, 2020 (\$15.4 million) represents 25.9% of the total expenditures reported by the general fund for the year then ended compared with the 35.5% at the end of the prior year. Unassigned fund balance for the general fund decreased for the current fiscal year as the District had to allocate more of its carryover fund balance to subsequent year's appropriations than it did one year ago.

The District's other major fund, the permanent improvement capital project fund, reported a slight increase of \$48,266 in fund balance for fiscal year 2020 as the District manages expenditures to stay within available resources on an ongoing basis.

Northmont City School District, Ohio

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

General Fund Budget Information

The District modified the general fund's budgeted revenues only slightly during fiscal year 2020; which resulted in estimated revenues at year-end being slightly less than those estimated at the beginning of the year. For budgeted expenditures, the District reduced planned expenditures during the year to deal with the reduction in State funding. As a result, the ending budgeted expenditures were 5.8% less than the expenditure amounts estimated at the beginning of the year.

Overall, the District anticipated an ending budgetary fund balance of \$24.7 million at the start of fiscal year 2020 and the actual ending budgetary balance for the fund was \$28.3 million, or 14.6% higher than what was originally estimated.

The ending unencumbered cash fund balance of the general fund at June 30, 2020 represents 48.0% of the total actual budgetary expenditures and other financing uses reported for the Fund for the year ended June 30, 2020.

Capital Assets

At the end of the fiscal year 2020, the District had \$86.6 million invested in land, buildings, building improvements, furniture, equipment and vehicles, and infrastructure.

During the year, the District reported depreciation expense of \$2.6 million compared with capital asset additions of \$751,542. Significant capital asset additions for the year included acquisition of four new school buses, improvements throughout the district, as well as the acquisition of various pieces of equipment.

Table 4 shows the fiscal year 2020 balances compared to fiscal year 2019.

**TABLE 4
CAPITAL ASSETS, JUNE 30**

	<u>2020</u>	<u>2019</u>
Land	\$ 1,886,644	1,886,644
Buildings and Improvements	80,340,862	82,173,890
Furniture and Equipment	2,847,759	2,910,801
Vehicles	1,353,522	1,272,934
Infrastructure	<u>124,615</u>	<u>127,736</u>
Total Net Capital Assets	\$ <u>86,553,402</u>	<u>88,372,005</u>

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

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2020*

Debt Administration

At June 30, 2020, the District had \$54.5 million in outstanding general obligation bonds, including \$1.7 million of accreted interest on capital appreciation bonds and \$2.8 million of unamortized premiums on bonds issued. The District paid \$865,000 in principal on bonds during fiscal year 2020 and another \$805,000 of principal is due to mature within one year. In addition, during the current year, the District defeased \$8.8 million of 2012B general obligation bonds through the issuance of \$7.9 million of 2019 refunding bonds. The District undertook the refunding to reduce total debt service payments over the next 16 years by \$1.2 million and achieve an economic gain of \$1.0 million.

During the current fiscal year, the District made \$563,925 of lease payments on two lease-purchase agreements which were used to acquire notebook tablets for all students and four school buses in prior fiscal years. At year-end, the District owed slightly over \$1.0 million on these two agreements with \$566,455 due for payment within 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, 2020*

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Investments	\$ 40,477,343
Intergovernmental Receivable	1,418,070
Property and Other Local Taxes Receivable	30,222,215
Net OPEB Asset	3,897,853
Land	1,886,644
Depreciable Capital Assets, net	<u>84,666,758</u>
<i>Total Assets</i>	<u>162,568,883</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Loss on Refunding	1,083,518
Pension and OPEB	<u>15,030,017</u>
<i>Total Deferred Outflows of Resources</i>	<u>16,113,535</u>
LIABILITIES:	
Accounts Payable	503,434
Accrued Wages and Benefits	6,786,845
Intergovernmental Payable	1,136,354
Claims Payable	54,405
Matured Compensated Absences Payable	104,652
Accrued Interest Payable	404,459
Long-Term Liabilities:	
Due Within One Year	1,457,861
Due in More Than One Year:	
Net Pension Liability	66,926,117
Net OPEB Liability	6,413,330
Other Amounts Due in More Than One Year	<u>57,808,458</u>
<i>Total Liabilities</i>	<u>141,595,915</u>
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes not Levied to Finance Current Year Operations	28,805,433
Payments in Lieu of Taxes not Intended to Finance Current Year Operations	551,084
Deferred Gain on Refunding	90,606
Pension and OPEB	<u>10,377,248</u>
<i>Total Deferred Inflows of Resources</i>	<u>39,824,371</u>
NET POSITION:	
Net Investment in Capital Assets	35,546,778
Restricted for Capital Outlay	4,396,988
Restricted for Classroom Facilities Maintenance	627,154
Restricted for Student Activities	628,312
Restricted for Food Service	113,992
Restricted for Federal and State Educational Grants	178,343
Restricted for Other Purposes	38,437
Unrestricted	<u>(44,267,872)</u>
<i>Total Net Position</i>	<u>\$ (2,737,868)</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, 2020*

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
<i>Governmental Activities:</i>				
<i>Instruction:</i>				
Regular	\$ 30,383,749	\$ 1,393,111	\$ 368,130	\$ (28,622,508)
Special	13,888,792	-	2,487,997	(11,400,795)
Vocational	283,534	-	-	(283,534)
Other	1,612,520	-	-	(1,612,520)
<i>Support Services:</i>				
Pupils	5,609,439	-	178,299	(5,431,140)
Instructional Staff	727,274	-	-	(727,274)
Board of Education	77,339	-	-	(77,339)
Administration	4,610,142	-	43,439	(4,566,703)
Fiscal	1,772,095	-	-	(1,772,095)
Business	526,994	-	-	(526,994)
Operation and Maintenance of Plant	4,921,829	29,189	21,621	(4,871,019)
Pupil Transportation	3,321,920	-	207,356	(3,114,564)
Central	547,611	-	14,400	(533,211)
Operation of Non-Instructional Services	3,948,280	1,695,841	1,729,653	(522,786)
Extracurricular Activities	1,519,481	613,919	195,985	(709,577)
Interest and Fiscal Charges	1,969,384	-	-	(1,969,384)
<i>Total Governmental Activities</i>	<u>\$ 75,720,383</u>	<u>\$ 3,732,060</u>	<u>\$ 5,246,880</u>	<u>(66,741,443)</u>
<i>General Revenues:</i>				
Grants and Entitlements not Restricted to Specific Programs				28,703,526
Investment Earnings				478,202
Payments in Lieu of Taxes				551,084
Miscellaneous				324,874
<i>Property Taxes Levied for:</i>				
General Purposes				29,005,140
Debt Service				2,395,280
Capital Projects				669,570
Classroom Facilities Maintenance				268,109
<i>Total General Revenues</i>				<u>62,395,785</u>
<i>Change in Net Position</i>				<u>(4,345,658)</u>
<i>Net Position - Beginning of Year, Restated</i>				<u>1,607,790</u>
<i>Net Position - End of Year</i>				<u>\$ (2,737,868)</u>

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

Northmont City School District, Ohio

Balance Sheet Governmental Funds June 30, 2020

	General Fund	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Investments	\$ 31,012,991	\$ 4,391,873	\$ 5,072,479	\$ 40,477,343
Receivables (Net):				
Taxes	27,920,282	669,319	1,632,614	30,222,215
Intergovernmental	69,532	551,084	797,454	1,418,070
Interfund	474,056	-	-	474,056
Total Assets	\$ 59,476,861	\$ 5,612,276	\$ 7,502,547	\$ 72,591,684
LIABILITIES:				
Accounts Payable	\$ 337,790	\$ 34,326	\$ 131,318	\$ 503,434
Accrued Wages and Benefits	6,157,789	-	629,056	6,786,845
Interfund Payable	-	-	474,056	474,056
Intergovernmental Payable	1,070,853	-	65,501	1,136,354
Matured Compensated Absences Payable	66,553	-	38,099	104,652
Claims Payable	54,405	-	-	54,405
Total Liabilities	7,687,390	34,326	1,338,030	9,059,746
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance				
Current Year Operations	26,652,012	627,496	1,525,925	28,805,433
Revenue in Lieu of Taxes not Intended to				
Finance Current Year Operations	-	551,084	-	551,084
Unavailable Revenue	498,418	16,479	325,409	840,306
Total Deferred Inflows of Resources	27,150,430	1,195,059	1,851,334	30,196,823
FUND BALANCES:				
Restricted:				
Capital Outlay	-	4,382,891	832,677	5,215,568
Debt Service	-	-	1,910,297	1,910,297
Food Service	-	-	287,332	287,332
Facilities Maintenance	-	-	627,154	627,154
Student Activities	-	-	628,312	628,312
Educational Grant Programs	-	-	155,087	155,087
Other Purposes	-	-	38,437	38,437
Assigned:				
School Supported Activities	812,093	-	-	812,093
Future Purchase Commitments	1,150,571	-	-	1,150,571
Subsequent Appropriations	7,302,553	-	-	7,302,553
Unassigned (Deficit)	15,373,824	-	(166,113)	15,207,711
Total Fund Balances	24,639,041	4,382,891	4,313,183	33,335,115
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 59,476,861	\$ 5,612,276	\$ 7,502,547	\$ 72,591,684

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

Northmont City School District, Ohio

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2020

Total Governmental Fund Balances	\$	33,335,115
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		86,553,402
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		556,938
Intergovernmental Receivable		283,368
Deferred gains and losses on refundings are recorded in the funds when the refunding transaction occurs; however in the government-wide statements they are accrued and amortized over the life of the bonds:		
Deferred Outflows - Deferred Loss on Refunding		1,083,518
Deferred Inflows - Deferred Gain on Refunding		(90,606)
The net OPEB asset is not a current asset and the net pension and OPEB liabilities are not due and payable in the current period; therefore the assets and liabilities, as well as the related deferred outflows/inflows are not reported in governmental funds.		
Net OPEB Asset		3,897,853
Deferred Outflows - Pension and OPEB		15,030,017
Deferred Inflows - Pension and OPEB		(10,377,248)
Net Pension Liability		(66,926,117)
Net OPEB Liability		(6,413,330)
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		(49,971,104)
Accreted Interest on Capital Appreciation Bonds		(1,718,786)
Capital Leases		(1,037,344)
Unamortized Bond Premium		(2,765,545)
Accrued Interest on Long-Term Debt		(404,459)
Compensated Absences		(3,773,540)
Net Position of Governmental Activities	\$	<u>(2,737,868)</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, 2020*

	General Fund	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	\$ 29,030,965	\$ 670,506	\$ 2,665,798	\$ 32,367,269
Intergovernmental	28,266,319	104,896	5,498,954	33,870,169
Interest	476,005	-	2,197	478,202
Tuition and Fees	1,494,644	-	-	1,494,644
Rent	26,344	-	-	26,344
Extracurricular Activities	149,719	-	458,991	608,710
Gifts and Donations	152,939	-	63,237	216,176
Customer Sales and Services	23,263	-	1,579,099	1,602,362
Payments in Lieu of Taxes	-	551,084	-	551,084
Miscellaneous	226,358	-	98,516	324,874
<i>Total Revenues</i>	<u>59,846,556</u>	<u>1,326,486</u>	<u>10,366,792</u>	<u>71,539,834</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	25,799,924	78,339	548,841	26,427,104
Special	11,166,193	-	2,206,265	13,372,458
Vocational	266,292	-	-	266,292
Other	1,592,051	-	-	1,592,051
Support Services:				
Pupils	5,113,117	-	153,180	5,266,297
Instructional Staff	692,778	-	24,007	716,785
Board of Education	76,930	-	-	76,930
Administration	4,292,178	-	51,017	4,343,195
Fiscal	1,465,962	15,074	38,531	1,519,567
Business	490,656	-	4,850	495,506
Operation and Maintenance of Plant	3,865,768	-	666,933	4,532,701
Pupil Transportation	2,944,674	-	-	2,944,674
Central	486,988	-	3,406	490,394
Operation of Non-Instructional Services	85,802	-	3,716,195	3,801,997
Extracurricular Activities	1,009,081	-	483,965	1,493,046
Capital Outlay	86,268	615,752	337,402	1,039,422
Debt Service:				
Principal	-	563,925	865,000	1,428,925
Interest	-	5,130	1,845,928	1,851,058
Issuance Costs	-	-	110,177	110,177
<i>Total Expenditures</i>	<u>59,434,662</u>	<u>1,278,220</u>	<u>11,055,697</u>	<u>71,768,579</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	411,894	48,266	(688,905)	(228,745)
OTHER FINANCING SOURCES AND USES:				
Refunding Bonds Issued	-	-	7,905,000	7,905,000
Premium on Refunding Bonds Issued	-	-	1,026,905	1,026,905
Payment to Refunded Bond Escrow Agent	-	-	(8,821,728)	(8,821,728)
Transfers In	-	-	13,750	13,750
Transfers Out	(13,750)	-	-	(13,750)
<i>Total Other Financing Sources and Uses</i>	<u>(13,750)</u>	<u>-</u>	<u>123,927</u>	<u>110,177</u>
<i>Net Change in Fund Balances</i>	398,144	48,266	(564,978)	(118,568)
<i>Fund Balance at Beginning of Year - Restated</i>	24,240,897	4,334,625	4,878,161	33,453,683
<i>Fund Balance at End of Year</i>	<u>\$ 24,639,041</u>	<u>\$ 4,382,891</u>	<u>\$ 4,313,183</u>	<u>\$ 33,335,115</u>

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

Northmont City School District, Ohio

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, 2020

Net Change in Fund Balances - Total Governmental Funds	\$	(118,568)
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 depreciation exceeded capital outlay in the current period.		
Capital asset additions used in governmental activities		751,542
Depreciation expense		(2,570,145)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(165,109)
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 or gain 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		1,428,925
Current year amortization of bond premium		97,628
Current year amortization of deferred loss on refunding		(38,018)
Current year amortization of deferred gain on refunding		2,914
Current year accretion of interest on capital appreciation bonds		(97,092)
Refunding bonds issued		(7,905,000)
Premium on bonds issued		(1,026,905)
Payment to escrow agent for advance bond refunding		8,821,728
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		(83,758)
Compensated absences		(407,596)
Contractually required pension and OPEB contributions are reported as expenditures in the governmental funds, however, the statement of activities reports these amounts as deferred outflows.		
Pension		5,277,011
OPEB		175,334
Except for amounts reported as deferred outflows/inflows, changes in the net pension and OPEB assets/liabilities are reported as expenses among the functions in the statement of activities.		
Pension		(9,552,664)
OPEB (negative expense)		1,064,115
		(4,418,549)
Change in Net Position of Governmental Activities	\$	(4,345,658)

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

Northmont City School District, Ohio

*Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2020*

	<u>Custodial Fund</u>
ADDITION:	
Extracurricular Amounts Collected for Other Organizations	\$ 58,974
<i>Total Additions</i>	<u>58,974</u>
DEDUCTION:	
Extracurricular Distributions to Other Organizations	<u>58,974</u>
<i>Total Deductions</i>	<u>58,974</u>
<i>Change in Net Position</i>	-
<i>Net Position, Beginning of Year</i>	<u>-</u>
<i>Net Position, End of Year</i>	<u>\$ -</u>

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

1. Description of the District and Reporting Entity

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

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

Reporting Entity

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

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, there are no entities that meet the definition of a component unit for the District.

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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

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 a public entity shared risk pool. The jointly governed organizations include the Southwestern Ohio Education Purchasing Council (SOEPC), META Solutions, and Shared Resource Center Regional Council of Governments. These organizations are presented in Note 17 to the basic financial statements. The public entity shared risk pool is the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan. The organization is presented in Note 16.

2. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

a. **Fund Accounting**

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

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 custodial funds. Custodial funds account for all fiduciary activities which are not accounted for within trust funds. The District's only custodial fund accounts for state tournament game resources for which the District acts as the fiscal agent.

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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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

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

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

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

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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

2. Summary of Significant Accounting Policies (continued)

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 loss on refunding, pension, and OPEB. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained further in Notes 11 and 12.

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 until that time. For the District, deferred inflows of resources include property taxes (including payments in lieu of taxes), unavailable revenue, deferred gain on refunding, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 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. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 11 and 12).

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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

2. Summary of Significant Accounting Policies (continued)

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

d. Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements. Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2020. 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 has adopted GASB Statement No. 79, "Certain External Investment Pools and Participants". The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides the NAV per share that approximates fair value.

There are no limitations or restrictions on any withdrawals from these investments due to redemption notice periods, liquidity fees, or redemption gates. STAR Ohio does require notice to be given 24 hours in advance for all deposits or withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2020 amounted to \$476,005, and \$2,197 in the general and other governmental funds, respectively.

e. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded the acquisition values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

2. Summary of Significant Accounting Policies (continued)

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 and Equipment	5-20 years
Vehicles	8 years
Infrastructure	50 years

f. **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. Due to and due from other funds represents temporary advances of resources from the general fund to non-major grant funds to cover deficit cash balances at year-end. These amounts are eliminated in the statement of net position.

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

g. **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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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

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.

h. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension and OPEB liabilities are recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans’ fiduciary net position is not sufficient for payment of those benefits.

i. Pensions/Other Postemployment Benefits (OPEB)

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

j. 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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

2. Summary of Significant Accounting Policies (continued)

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

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

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

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.

k. **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 \$5,983,226 in restricted net position, none was restricted by enabling legislation.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

2. Summary of Significant Accounting Policies (continued)

I. Unamortized Bond Premium

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

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

m. Estimates

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

3. Accountability

a. Change in Accounting Principle

For fiscal year 2020, the District implemented the Governmental Accounting Standards Board (GASB) Statements No. 84, *Fiduciary Activities* and No. 90, *Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61*.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed the funds previously reported as agency funds and has reclassified one of those funds as a governmental fund, which resulted in the following restatements as of June 30, 2019:

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

3. Accountability (continued)

	Governmental Activities	Other Governmental Funds	Total Governmental Funds
Net Position/Fund Balance at June 30, 2019, as previously reported	\$ 1,514,038	\$ 4,784,409	\$ 33,359,931
Adjustments:			
Reclassification of funds required by GASB Statement No. 84.	93,752	93,752	93,752
Net Position/Fund Balance at June 30, 2019, as restated	\$ 1,607,790	\$ 4,878,161	\$ 33,453,683

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

b. Deficit Fund Balances

Individual fund deficits reported at June 30, 2020 include the following:

Non-Major Funds	Deficit
Elementary & Secondary Emergency Relief	\$ 17,478
Title VI-B Grant	81,704
Title III Grant	3,045
Title I Grant	50,163
IDEA Preschool Grant	4,638
Title VI-R Grant	9,085

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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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;

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);

Northmont City School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

4. Deposits and Investments (continued)

Certain banker's acceptance and commercial paper notes for a period not to exceed 180 days and 270 days, respectively, from purchase date in an amount not to exceed 40% 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 – At June 30, 2020, the carrying amount of all District deposits was \$27,419,701. Based on the criteria described in GASB Statement 40, "Deposits and Investment Risk Disclosures", \$27,749,832 of the District's bank balance of \$27,249,832 was exposed to custodial risk as discussed below, while \$500,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. The District's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Northmont City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

4. Deposits and Investments (continued)

Investments - As of June 30, 2020, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Mutual Fund	\$ 1,123,487	0.000
Repurchase Agreement	7,653,629	0.000
US Treasury Note	444,953	1.035
Negotiable Certificates of Deposit	1,890,257	2.140
Commercial Paper	399,931	0.100
STAROhio	<u>1,545,385</u>	0.000
Total	<u>\$ 13,057,642</u>	
Portfolio Weighted Average Maturity		0.348

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.

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 Funds were rated AAAM by Standard and Poor's. \$289,948 of the commercial paper held by the District was rated P-1 by Moody's and A-1+ by Standard and Poor's, with the remaining \$109,983 rated P-1 and A-1 by Moody's and Standard and Poor's, respectively. 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. The negotiable certificates of deposit are unrated, however are entirely covered by FDIC. Treasury securities are not rated.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2019:

<u>Investment Type</u>	<u>% of Portfolio</u>
Money Market Mutual Fund	8.60%
Repurchase Agreement	58.62%
US Treasury Note	3.40%
Negotiable Certificates of Deposit	14.48%
Commercial Paper	3.06%
STAROhio	11.84%
Total	<u>100.00%</u>

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

Level 1 – Investments reflect prices quoted in active markets.

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

Level 3 – Investments reflect prices based upon unobservable sources.

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

Investments of the District also include STAR Ohio and repurchase agreements. These investments are measured at NAV and amortized cost, respectively; and therefore, these investments are not classified based on the hierarchy provided above.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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, 2020, are available to finance fiscal year 2020 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility tangible personal property taxes that became measurable as of June 30, 2020. 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, 2020 was \$597,101, \$19,692, and \$50,257 for the General, Permanent Improvement, and Other Governmental Funds, respectively, 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 2020 taxes were collected are:

	<u>2020 First Half Collections</u>	<u>2019 Second Half Collections</u>
Real Estate		
Residential /Agricultural and Other Real Estate	\$ 638,607,570	\$ 637,304,950
Public Utility Property	<u>17,265,740</u>	<u>16,030,850</u>
Total	<u>\$ 655,873,310</u>	<u>\$ 653,335,800</u>

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

6. Receivables

Receivables at June 30, 2020, 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:

<u>Governmental Activities:</u>	<u>Amount</u>
Distribution of Casino Taxes	\$ 69,532
Payments in Lieu of Taxes	551,084
Elementary & Secondary School Relief	222,328
Title VI-B	237,370
Title I	92,163
IDEA Preschool	7,310
Title IIA	51,496
Other grant programs	<u>186,787</u>
Total	<u>\$ 1,418,070</u>

7. Interfund Transactions

During fiscal year 2020, the general fund provided operating transfers of \$13,750 to the District managed student activities fund (non-major governmental fund) to provide support for certain activities and programs.

At June 30, 2020, the District's interfund receivables and payables consisted for the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$ 474,056</u>	
Other Governmental Funds:		
Elementary & Secondary Emergency Relief Grant		\$ 258,919
Title VI-B Grant Fund		92,838
IDEA Preschool Grant Fund		5,910
Miscellaneous Federal Grants Fund		<u>116,389</u>
	<u>\$ 474,056</u>	<u>\$ 474,056</u>

These represent operating resources provided to the grant funds until additional funding is received from the fund source.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

8. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance at 7/1/2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/2020</u>
<u>Capital Assets, not being depreciated:</u>				
Land	\$ 1,886,644	\$ -	\$ -	\$ 1,886,644
<u>Capital Assets, being depreciated:</u>				
Building and Improvements	100,146,996	213,073	-	100,360,069
Furniture and Equipment	6,070,295	165,581	-	6,235,876
Vehicles	4,533,492	372,888	293,596	4,612,784
Infrastructure	156,031	-	-	156,031
	<u>110,906,814</u>	<u>751,542</u>	<u>293,596</u>	<u>111,364,760</u>
<u>Less: Accumulated Depreciation:</u>				
Building and Improvements	17,973,106	2,046,101	-	20,019,207
Furniture and Equipment	3,159,494	228,623	-	3,388,117
Vehicles	3,260,558	292,300	293,596	3,259,262
Infrastructure	28,295	3,121	-	31,416
	<u>24,421,453</u>	<u>2,570,145</u> *	<u>293,596</u>	<u>26,698,002</u>
Capital Assets, being depreciated, net	<u>86,485,361</u>	<u>(1,818,603)</u>	<u>-</u>	<u>84,666,758</u>
Total Capital Assets, net	<u>\$ 88,372,005</u>	<u>\$ (1,818,603)</u>	<u>\$ -</u>	<u>\$ 86,553,402</u>

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

Instruction:	
Regular	\$ 2,226,384
Special	901
Support Services:	
Pupil Support	167
Instructional Support	3,900
Board of Education	409
Administration	2,744
Business	97
Operation and Maintenance of Plant	13,077
Pupil Transportation	269,206
Non-Instructional Services	26,273
Extracurricular Activities	26,987
Total Depreciation Expense	<u>\$ 2,570,145</u>

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

9. Long-Term Obligations

The activity of the District's long-term obligations during fiscal year 2020 was as follows:

	Balance 7/1/2019	Increase	Decrease	Balance 6/30/2020	Amount Due Within One Year
Governmental Activities:					
2012A Bonds:					
Current Interest Bonds	\$ 30,995,000	\$ -	\$ -	\$ 30,995,000	\$ 430,000
Capital Appreciation Bonds	121,703	-	(121,703)	-	-
Accretion of Interest	274,437	33,860	(308,297)	-	-
2012B Bonds:					
Serial Bonds	5,420,000	-	(5,420,000)	-	-
Term Bonds	3,490,000	-	(3,490,000)	-	-
2017 Refunding Bonds:					
Serial Bonds	1,575,000	-	(335,000)	1,240,000	345,000
Term Bonds	9,005,000	-	-	9,005,000	-
Capital Appreciation Bonds	826,104	-	-	826,104	-
Accretion of Interest	1,655,554	63,232	-	1,718,786	-
2019 Refunding Bonds:					
Serial Bonds	-	7,905,000	-	7,905,000	30,000
Premium on Bonds	1,941,516	1,026,905	(202,876)	2,765,545	-
Total General Obligation Bonds	55,304,314	9,028,997	(9,877,876)	54,455,435	805,000
Net Pension Liability:					
STRS	51,229,617	815,165	-	52,044,782	-
SERS	13,761,244	1,120,091	-	14,881,335	-
Total Net Pension Liability	64,990,861	1,935,256	-	66,926,117	-
Net OPEB Liability:					
SERS	6,754,800	-	(341,470)	6,413,330	-
Other Long-Term Obligations:					
Capital Leases	1,601,269	-	(563,925)	1,037,344	566,455
Compensated Absences	3,365,944	520,054	(112,458)	3,773,540	86,406
Total Governmental Activities	<u>\$ 132,017,188</u>	<u>\$ 11,484,307</u>	<u>\$ (10,895,729)</u>	<u>\$ 132,605,766</u>	<u>\$ 1,457,861</u>

Compensated absences and required pension and OPEB plan contributions will be paid from the fund from which the person is paid. All long-term bond payments will be paid out of the debt service fund. Capital lease payments are made out from the permanent improvement fund.

General Obligation Bonds:

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 remainder of these bonds were advanced refunded during the current fiscal year.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

9. Long-Term Obligations (continued)

On December 28, 2017, the District issued \$11,786,104 in general obligation (Series 2017 School Improvement Refunding) bonds to refund a portion of the 2012A general obligation bonds. The amount of 2012A refunded was \$11,790,000 which is callable on November 1, 2021. The 2017 refunding issue consisted of \$1,955,000 of serial interest bonds (rates 2.0%-2.5%) which fully mature in fiscal year 2028, \$9,005,000 current interest term bonds (rates 3.375%-4.0%) which fully mature in fiscal year 2049, and \$826,104 capital appreciation bonds which mature in fiscal years 2024 to 2027.

The capital appreciation bonds have a total maturity value of \$2,885,000 (\$770,000 in fiscal year 2024, \$735,000 in fiscal year 2025, \$705,000 in fiscal year 2026, and \$675,000 in fiscal year 2027) and were issued at \$2,399,283. These bonds are not subject to redemption prior to scheduled maturity. Accretion on the capital appreciation bonds for the current fiscal year amounted to \$63,232.

On November 1, 2019, the District issued \$7,905,000 in general obligation (Series 2019 School Improvement Refunding) bonds to refund the remaining 2012B general obligation bonds. The amount of 2012B refunded was \$8,810,000 which were called on December 2, 2019. The 2019 refunding issue consisted of serial term interest bonds having interest rates ranging from 3.00 to 4.00 percent and fully maturing on November 1, 2035.

A summary of the principal and interest requirements of general obligation debt outstanding is:

Fiscal Year	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 805,000	\$ 1,830,675	\$ 2,635,675	\$ -	\$ -	\$ -
2022	905,000	1,810,450	2,715,450	-	-	-
2023	925,000	1,784,113	2,709,113	-	-	-
2024	185,000	1,765,412	1,950,412	278,332	491,668	770,000
2025	290,000	1,755,913	2,045,913	223,212	511,788	735,000
2026-2030	4,250,000	8,456,626	12,706,626	324,560	1,055,440	1,380,000
2031-2035	7,345,000	7,339,834	14,684,834	-	-	-
2036-2040	9,720,000	5,817,975	15,537,975	-	-	-
2041-2045	12,405,000	3,599,631	16,004,631	-	-	-
2046-2049	12,315,000	897,404	13,212,404	-	-	-
Total	<u>\$ 49,145,000</u>	<u>\$ 35,058,033</u>	<u>\$ 84,203,033</u>	<u>\$ 826,104</u>	<u>\$ 2,058,896</u>	<u>\$ 2,885,000</u>

The 2019 refunding bonds were issued to provide resources to purchase U.S. Government securities which were placed, along with premium proceeds from the sale of the bonds, in an irrevocable trust for the purpose of generating sufficient resources to satisfy the debt service requirements of \$8,810,000 of the 2012B general obligation bonds at the call date of December 2, 2019. As a result, the refunded 2012B bonds are considered to be defeased and the liability associated has been removed from the statement of net position.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

9. Long-Term Obligations (continued)

The net carrying value of 2012B bonds refunded exceeded the reacquisition price by \$93,520. This amount is reported as a deferred gain on refunding within deferred inflows of resources on the statement of net position and is being amortized over the term of 2019 refunding bonds issued. This advance refunding was undertaken to reduce total debt service payments over the next 16 years by \$1,179,100 and resulted in an economic gain of \$1,026,712.

Capital Lease – Lessee Disclosure:

In prior years, the District entered into separate lease-purchase agreements for the acquisition of notebook computers, for all students, and for the acquisition of school buses. Both these agreements meet the criteria of a capital lease in that the benefits and risk of ownership transferred to the lessee. Capital lease payments are reflected as debt service payments in the permanent improvement fund on the basic financial statements. These expenditures are shown as program/function expenditures on a budgetary basis. During the current fiscal year, the District made principal payments totaling \$563,925 in accordance with the lease agreements.

The school buses acquired through capital lease are recorded as vehicles within the financial statements with a carrying value of \$268,854 (\$377,340 historical cost less \$108,486 in accumulated depreciation). The notebook computers acquired through the capital lease agreement do not individually meet the District’s capitalization policy.

The following is a schedule of future minimum lease payments required under the capital leases, and the present value of the minimum lease payments as of June 30, 2020:

<u>Fiscal Year Ended June 30,</u>	<u>Total Payments</u>
2021	\$ 569,054
2022	<u>470,889</u>
Total Minimum Lease Payments	1,039,943
Less: Amount Representing Interest	<u>(2,599)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,037,344</u>

Defeased Debt Outstanding:

As of June 30, 2020, \$11,790,000 of the 2012A school improvement general obligation bonds previously defeased remains outstanding. These bonds have a call date of November 1, 2021. Funds have been placed into an irrevocable trust to satisfy the debt service requirements until that call date.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

10. Risk Management

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 2020, 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	5,000,000

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

Workers' Compensation

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

Fiscal Year	Beginning Claims Payable	Current Claims	Claims Payments	Ending Claims Payable
2020	\$ 14,018	\$ 81,221	\$ 40,834	\$ 54,405
2019	25,427	47,749	59,158	14,018

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

11. Defined Benefits 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.

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

GASB Statement No. 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 contractually-required pension contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

11. Defined Benefits Pension Plans (continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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 under Employers/Audit Resources.

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 or age 65 with 5 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% for the first 30 years of service and 2.5% 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% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, and Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the 14% was allocated to only three of the funds (Pension Trust Fund, Death Benefit Fund and Medicare B Fund).

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

11. Defined Benefits Pension Plans (continued)

The District's contractually required contribution to SERS was \$1,269,683 for fiscal year 2020. Of this amount, \$250,000 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

School 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.

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% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 or later.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

11. Defined Benefits Pension Plans (continued)

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 Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 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. For the fiscal year ended June 30, 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$4,007,328 for fiscal year 2020. Of this amount, \$686,184 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

The net pension liability was measured as of June 30, 2019, 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 14,881,335	\$ 52,044,782	\$ 66,926,117
Proportion of the net pension liability	0.2487197%	0.2353434%	
Change in proportionate share	0.0084403%	0.0023518%	
Pension expense	\$ 2,123,795	\$ 7,428,869	\$ 9,552,664

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

11. Defined Benefits Pension Plans (continued)

At June 30, 2020 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	\$ 377,357	\$ 423,733	\$ 801,090
Change in assumptions	-	6,113,664	6,113,664
Change in District's proportionate share and difference in employer contributions	278,515	895,900	1,174,415
District's contributions subsequent to the measurement date	1,269,683	4,007,328	5,277,011
Total	\$ 1,925,555	\$ 11,440,625	\$ 13,366,180
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ -	\$ 225,292	\$ 225,292
Net difference between projected and actual earnings on pension plan investments	191,019	2,543,667	2,734,686
Change in District's proportionate share and difference in employer contributions	257,148	281,543	538,691
Total	\$ 448,167	\$ 3,050,502	\$ 3,498,669

\$5,277,011 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 net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 350,063	\$ 3,278,484	\$ 3,628,547
2022	(237,979)	800,255	562,276
2023	(12,711)	(94,083)	(106,794)
2024	108,332	398,139	506,471
	\$ 207,705	\$ 4,382,795	\$ 4,590,500

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

11. Defined Benefits 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 consider the employee's entire career with the employer and 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, 2019, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment rate of return	7.50 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

11. Defined Benefits Pension Plans (continued)

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset 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%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

Discount Rate – Total pension liability was calculated using the discount rate of 7.5%. 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 (7.5%). 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 7.5%, 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 (6.5%), or one percentage point higher (8.5%) than the current rate.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

11. Defined Benefits Pension Plans (continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 20,854,070	\$ 14,881,335	\$ 9,872,449

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll increases	3.00 percent
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Cost-of-living adjustments (COLA)	0.00 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disability mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized on the next page:

Northmont City School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

11. Defined Benefits Pension Plans (continued)

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	<u>1.00%</u>	2.25%
Total	<u>100.00%</u>	

* - Target weights will be phased in over a 24-month period concluding on July 1, 2019

** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. 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. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 76,057,652	\$ 52,044,782	\$ 31,716,659

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

12. Post-employment Benefits Other than Pension (OPEB)

Net OPEB Asset/Liability

The net OPEB asset and liability reported on the statement of net position represents an asset for or a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset/liability. Resulting adjustments to the net OPEB asset/liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

12. Post-employment Benefits Other than Pension (OPEB) (continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, there was no portion allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, the minimum compensation amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$175,334.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

12. Post-employment Benefits Other than Pension (OPEB) (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description—The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Assets and Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportionate share of the net OPEB asset	\$ -	\$ 3,897,853	\$ 3,897,853
Proportionate share of the net OPEB liability	6,413,330	-	6,413,330
Proportion of the net OPEB asset/liability	0.2550245%	0.2353434%	
Change in proportionate share	0.0115442%	0.0023518%	
OPEB (negative) expense	\$ 114,099	\$ (1,178,214)	\$ (1,064,115)

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

12. Post-employment Benefits Other than Pension (OPEB) (continued)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 94,140	\$ 353,372	\$ 447,512
Net difference between projected and actual earnings on OPEB plan investments	15,394	-	15,394
Change in assumptions	468,420	81,930	550,350
Difference between employer contributions and proportionate share of contributions	318,865	156,382	475,247
District contributions subsequent to the measurement date	175,334	-	175,334
Total	<u>\$ 1,072,153</u>	<u>\$ 591,684</u>	<u>\$ 1,663,837</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 1,408,963	\$ 198,309	\$ 1,607,272
Net difference between projected and actual earnings on OPEB plan investments	-	244,810	244,810
Change in assumptions	359,383	4,273,543	4,632,926
Difference between employer contributions and proportionate share of contributions	350,704	42,867	393,571
Total	<u>\$ 2,119,050</u>	<u>\$ 4,759,529</u>	<u>\$ 6,878,579</u>

\$175,334 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ (411,254)	\$ (915,297)	\$ (1,326,551)
2022	(204,448)	(915,297)	(1,119,745)
2023	(199,929)	(817,180)	(1,017,109)
2024	(200,665)	(782,759)	(983,424)
2025	(151,482)	(750,777)	(902,259)
2026	(54,453)	13,465	(40,988)
	<u>\$ (1,222,231)</u>	<u>\$ (4,167,845)</u>	<u>\$ (5,390,076)</u>

Northmont City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

12. Post-employment Benefits Other than Pension (OPEB) (continued)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 consider the employee's entire career with the employer and 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 OPEB liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Investment rate of return, including inflation	7.50% net of investment expense
Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Municipal bond index rate:	
Prior measurement date	3.62%
Measurement date	3.13%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Prior measurement date	3.70%
Measurement date	3.22%
Municipal bond index rate:	
Pre-Medicare	7.00% - 4.75%
Medicare	5.25% - 4.75%

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

12. Post-employment Benefits Other than Pension (OPEB) (continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. PR-2000 Disabled Mortality Table with 90% for males rate and 100% for female rates set back five years.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, 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%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real estate	15.00%	5.00%
Multi-asset strategies	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability at June 30, 2018 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

12. Post-employment Benefits Other than Pension (OPEB) (continued)

assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13% as of June 30, 2019 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.22%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22%) and one percentage point higher (4.22%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
District's proportionate share of the net OPEB liability	\$ 7,784,566	\$ 6,413,330	\$ 5,323,036

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) and one percentage point higher (8.00% decreasing to 5.75%) than the current rates.

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
District's proportionate share of the net OPEB liability	\$ 5,138,376	\$ 6,413,330	\$ 8,104,884

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

12. Post-employment Benefits Other than Pension (OPEB) (continued)

Actuarial Assumptions - STRS

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	<u>Initial</u>	<u>Ultimate</u>
Medical		
Pre-Medicare	5.87%	4.00%
Medicare	4.98%	4.00%
Prescription Drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Northmont City School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

12. Post-employment Benefits Other than Pension (OPEB) (continued)

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	<u>1.00%</u>	2.25%
Total	<u>100.00%</u>	

* Target weights will be phased in over 24-month period concluding on July 1, 2019.

** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the District's proportionate share of the net OPEB (asset) calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45%) and one percentage point higher (8.45%) than the current rate. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net OPEB asset	\$ 3,326,040	\$ 3,897,853	\$ 4,378,611
	<u>1% Decrease In Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase In Trend Rates</u>
District's proportionate share of the net OPEB asset	\$ 4,419,985	\$ 3,897,853	\$ 3,258,365

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

13. Statutory Reserve

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

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

	Capital Acquisition
Set-aside cash balance as of June 30, 2019	\$ -
Current year set-aside requirements	897,916
Current year offset - PI Levy	<u>(1,087,329)</u>
Total	<u>\$ (189,413)</u>
Set-aside cash balance as of June 30, 2020	<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.

14. Commitments - Encumbrances

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	\$ 1,342,578
Permanent Improvement	50,109
Other governmental funds	<u>496,704</u>
Total	<u>\$ 1,889,391</u>

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, 2020*

15. Contingencies

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, 2020, if applicable, cannot be determined at this time.

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.

COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures impacted the second half of fiscal year 2020 and will impact subsequent fiscal periods of the District. The impact on the District's future operating costs, revenues and any recovery from emergency funding, either federal or state, cannot be estimated.

16. Public Entity Shared Risk Pool

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

17. Jointly Governed Organizations

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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

17. Jointly Governed Organizations (continued)

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 2020, the District paid \$192,517 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Kenneth Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

META Solutions

The District is a member of META Solutions which is an association of public entities throughout Ohio. Membership in META Solutions was due to the merger of the Metropolitan Dayton Educational Cooperative Association (MDECA) and META Solutions in January 2016. META Solutions was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts while providing an open marketplace where choice is not limited by geography.

The governing board of META Solutions consists of an eight person Board of Directors, with each of the directors elected by a majority vote of all members within each county in META Solutions membership. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302. The District paid \$223,096 to META Solutions during fiscal year 2020.

Shared Resource Center Regional Council of Governments

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

18. Tax Abatements

During fiscal year 2020, the District's property tax revenues were reduced by \$297,261 and \$800,751 under Community Reinvestment Area (CRA) and Enterprise Zone (EZ) agreements, respectively. The CRA agreements were entered into by the City of Englewood and the EZ agreement was entered into by the City of Clayton.

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

During fiscal year 2020, the District received \$379,376 from the City of Clayton and \$171,708 from the City of Englewood related to property tax revenues lost under these abatement agreements.

19. Subsequent Events

On July 22, 2020, the District issued \$30,120,000 of School Improvement Refunding Bonds, Series 2020 which have stated interest rates of 2.06% to 4.00% and mature on November 1, 2046. The proceeds from this bond issuance, including applicable premium, was placed into an irrevocable escrow account for refunding \$30,120,000 of the District's outstanding 2012A Bonds that mature November 1, 2022 through and including November 1, 2046 and which are expected to be redeemed on November 1, 2021 at a redemption price of 100%.

In September 2020, the District entered into a contract for the installation of field-turf at the stadium with an expected cost of \$567,021. In October 2020, the District entered into a contract for the construction of six classrooms/shelters with an expected cost of \$849,628.

Required Supplementary Information

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, 2020*

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property Taxes	\$ 28,307,646	\$ 28,717,858	\$ 29,061,865	\$ 344,007
Intergovernmental	29,177,505	28,661,047	28,326,218	(334,829)
Interest	168,714	168,714	407,644	238,930
Tuition and Fees	1,223,427	1,223,427	1,393,111	169,684
Rent	15,584	15,584	21,135	5,551
Miscellaneous	67,224	67,224	119,093	51,869
<i>Total Revenues</i>	<u>58,960,100</u>	<u>58,853,854</u>	<u>59,329,066</u>	<u>475,212</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	27,826,500	25,817,843	25,399,431	418,412
Special	11,640,000	11,514,328	10,889,262	625,066
Vocational	258,000	258,000	260,080	(2,080)
Student Intervention Services	65,000	65,000	45,375	19,625
Other	1,397,000	1,510,000	1,548,275	(38,275)
Support Services:				
Pupils	5,121,200	5,160,480	5,054,674	105,806
Instructional Staff	680,700	691,199	670,644	20,555
Board of Education	83,500	83,500	76,930	6,570
Administration	4,139,000	2,223,234	4,328,658	(2,105,424)
Fiscal	1,542,000	1,553,473	1,472,468	81,005
Business	443,000	443,234	466,655	(23,421)
Operation and Maintenance of Plant	4,002,900	4,413,138	3,952,069	461,069
Pupil Transportation	2,871,100	2,967,320	2,867,618	99,702
Central	637,800	641,749	501,191	140,558
Operation of Non-Instructional Services	-	-	11,225	(11,225)
Extracurricular Activities	361,000	361,000	871,154	(510,154)
Capital Outlay	132,400	132,400	91,814	40,586
<i>Total Expenditures</i>	<u>61,201,100</u>	<u>57,835,898</u>	<u>58,507,523</u>	<u>(671,625)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,241,000)</u>	<u>1,017,956</u>	<u>821,543</u>	<u>(196,413)</u>
OTHER FINANCING SOURCES (USES):				
Advances In	-	-	105,872	105,872
Refund of Prior Year Expenditures	140,370	140,370	107,265	(33,105)
Transfers Out	(183,000)	(183,000)	(13,750)	169,250
Advances Out	(255,298)	(474,056)	(474,056)	-
Other Financing Uses	(522,500)	(672,944)	-	672,944
<i>Total Other Financing Sources (Uses)</i>	<u>(820,428)</u>	<u>(1,189,630)</u>	<u>(274,669)</u>	<u>914,961</u>
<i>Net Change in Fund Balance</i>	<u>(3,061,428)</u>	<u>(171,674)</u>	<u>546,874</u>	<u>718,548</u>
Fund Balance, July 1	27,255,200	27,255,200	27,255,200	-
Prior Year Encumbrances	535,898	535,898	535,898	-
Fund Balance, June 30	<u>\$ 24,729,670</u>	<u>\$ 27,619,424</u>	<u>\$ 28,337,972</u>	<u>\$ 718,548</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 Seven Fiscal Years (1) (2)*

	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
School Employees Retirement System of Ohio:					
2014	0.260302%	\$ 15,479,324	\$ 7,272,052	212.86%	65.52%
2015	0.260302%	13,173,736	7,640,260	172.43%	71.70%
2016	0.258832%	14,769,176	8,276,973	178.44%	69.16%
2017	0.261701%	19,154,110	8,127,464	235.67%	62.98%
2018	0.257003%	15,355,379	8,225,421	186.68%	69.50%
2019	0.240279%	13,761,244	8,110,911	169.66%	71.36%
2020	0.248720%	14,881,335	8,893,541	167.33%	70.85%
State Teachers Retirement System of Ohio:					
2014	0.229898%	\$ 66,610,566	\$ 24,535,515	271.49%	69.30%
2015	0.229898%	55,919,184	25,296,108	221.06%	74.70%
2016	0.231757%	64,050,809	24,179,943	264.89%	72.09%
2017	0.229585%	76,848,869	24,156,707	318.13%	66.78%
2018	0.228182%	54,205,079	25,085,793	216.08%	75.30%
2019	0.232992%	51,229,617	26,487,214	193.41%	77.30%
2020	0.235343%	52,044,782	27,630,229	188.36%	77.40%

(1) Information prior to 2014 is not available. The District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the District's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplemental information.

Northmont City School District, Ohio

Schedule of the District's Contributions - Pension Plans Last Ten Fiscal Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
School Employees Retirement System of Ohio:					
2011	\$ 1,024,220	\$ (1,024,220)	\$ -	8,148,130	12.57%
2012	1,015,499	(1,015,499)	-	7,550,178	13.45%
2013	1,006,452	(1,006,452)	-	7,272,052	13.84%
2014	1,058,940	(1,058,940)	-	7,640,260	13.86%
2015	1,090,905	(1,090,905)	-	8,276,973	13.18%
2016	1,137,845	(1,137,845)	-	8,127,464	14.00%
2017	1,151,559	(1,151,559)	-	8,225,421	14.00%
2018	1,094,973	(1,094,973)	-	8,110,911	13.50%
2019	1,200,628	(1,200,628)	-	8,893,541	13.50%
2020	1,269,683	(1,269,683)	-	9,069,164	14.00%
State Teachers Retirement System of Ohio:					
2011	\$ 3,393,696	\$ (3,393,696)	\$ -	26,105,354	13.00%
2012	3,288,432	(3,288,432)	-	25,295,631	13.00%
2013	3,189,617	(3,189,617)	-	24,535,515	13.00%
2014	3,288,494	(3,288,494)	-	25,296,108	13.00%
2015	3,385,192	(3,385,192)	-	24,179,943	14.00%
2016	3,381,939	(3,381,939)	-	24,156,707	14.00%
2017	3,512,011	(3,512,011)	-	25,085,793	14.00%
2018	3,708,210	(3,708,210)	-	26,487,214	14.00%
2019	3,868,232	(3,868,232)	-	27,630,229	14.00%
2020	4,007,328	(4,007,328)	-	28,623,771	14.00%

See accompanying notes to the required supplemental information.

Northmont City School District, Ohio

*Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
Last Four Fiscal Years (1) (2)*

District's Proportion of the Net OPEB Liability or Asset	District's Proportionate Share of the Net OPEB Liability or (Asset)	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset
--	---	----------------------------------	--	---

School Employees Retirement System of Ohio:

2017	0.263716%	\$ 7,516,869	\$ 8,127,464	92.49%	11.49%
2018	0.259957%	6,976,561	8,225,421	84.82%	12.46%
2019	0.243480%	6,754,800	8,110,911	83.28%	13.57%
2020	0.255024%	6,413,330	8,893,541	72.11%	15.57%

State Teachers Retirement System of Ohio:

2017	0.229585%	\$ 12,278,241	\$ 24,156,707	50.83%	37.30%
2018	0.228182%	8,902,812	25,085,793	35.49%	47.11%
2019	0.232992%	(3,743,937)	26,487,214	-14.13%	176.00%
2020	0.235343%	(3,897,853)	27,630,229	-14.11%	174.70%

(1) Information prior to 2017 is not available. The District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the District's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplemental information.

Northmont City School District, Ohio

Schedule of the District's Contributions - OPEB Plans Last Five Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
School Employees Retirement System of Ohio:					
2016	\$ 126,664	\$ (126,664)	\$ -	8,127,464	1.56%
2017	137,788	(137,788)	-	8,225,421	1.68%
2018	170,836	(170,836)	-	8,110,911	2.11%
2019	200,763	(200,763)	-	8,893,541	2.26%
2020	175,334	(175,334)	-	9,069,164	1.93%
State Teachers Retirement System of Ohio:					
2016	\$ -	\$ -	\$ -	24,156,707	0.00%
2017	-	-	-	25,085,793	0.00%
2018	-	-	-	26,487,214	0.00%
2019	-	-	-	27,630,229	0.00%
2020	-	-	-	28,623,771	0.00%

(1) The District elected not to present information prior to 2016. The District will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge for School Employees Retirement System of Ohio.

See accompanying notes to the required supplemental information.

Northmont City School District, Ohio

*Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2020*

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 level for all 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 2020.

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 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

Notes to the Required Supplemental Information For the Fiscal Year Ended June 30, 2020

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, 2020*

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:

Budget Basis	\$ 546,874
Adjustments:	
Revenue Accruals	84,827
Expenditure Accruals	(1,327,375)
Encumbrances	784,592
Other Financing Sources(Uses)	260,919
Perspective Budgeting Difference **	<u>48,307</u>
GAAP Basis	<u>\$ 398,144</u>

** 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, Ohio

*Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2020*

Note 2 – Defined Benefits Pension Plans

School Employees Retirement System of Ohio:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

Change in benefit and funding terms. In measurement year 2018, post-retirement increases in benefits included the following changes: 1) members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3.0% of their base benefit on the anniversary of their initial date of retirement; 2) members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019 and 2020; 3) members, or their survivors, retiring on or after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

State Teachers Retirement System of Ohio:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit and funding terms. Effective July 1, 2017, the COLA was reduced to zero.

Northmont City School District, Ohio

*Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2020*

Note 3 – Other Postemployment Benefit (OPEB) Plans

School Employees Retirement System of Ohio:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age setback for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement among disabled members.

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability, including the Municipal Bond Index Rate of 3.13%, 3.62%, 3.56%, and 2.92% for measurement years 2019, 2018, 2017, and 2016, respectively, and the Single Equivalent Interest Rate, net of plan investment expense, including price inflation of 3.22%, 3.70%, 3.63%, and 2.98% for measurement years 2019, 2018, 2017, and 2016, respectively.

In measurement year 2018, medical trend rates have been adjusted to reflect premium decreases.

Change in benefit and funding terms. In measurement year 2018, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care Fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

State Teachers Retirement System of Ohio:

Change in assumption. For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Northmont City School District, Ohio

*Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2020*

Note 3 – Other Postemployment Benefit (OPEB) Plans (continued)

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

Change in benefit and funding terms. For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 % to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For measurement year 2019, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Northmont City School District
4001 Old Salem Road
Englewood, Ohio 45322

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmont City School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 28, 2020, wherein we noted the District adopted the provisions of GASB Statement No. 84 for the year ended June 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 28, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Northmont City School District
4001 Old Salem Road
Englewood, Ohio 45322

Report on Compliance for Each Major Federal Program

We have audited Northmont City School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 28, 2020

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal Agency/ Pass Through Agency/ Program Title	Assistance Listing Number	Pass Through Identifying Number	Federal Receipts	Non-Cash Receipts	Federal Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture:						
<i>Passed through Ohio Department of Education:</i>						
<u>Child Nutrition Cluster:</u>						
School Breakfast Program	10.553	N/A	118,027	-	118,027	-
COVID-19 - School Breakfast Program	10.553	N/A	45,053	-	45,053	-
National School Lunch Program	10.555	N/A	825,178	258,949	825,178	258,949
COVID-19 - National School Lunch Program	10.555	N/A	123,940	-	123,940	-
Total Child Nutrition Cluster			<u>1,112,198</u>	<u>258,949</u>	<u>1,112,198</u>	<u>258,949</u>
Total US Department of Agriculture			<u>1,112,198</u>	<u>258,949</u>	<u>1,112,198</u>	<u>258,949</u>
U.S. Department of Education:						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Education Agencies	84.010	S010A190035	94,434	-	94,118	-
	84.010	S010A200035	606,305	-	595,808	-
			<u>700,739</u>	<u>-</u>	<u>689,926</u>	<u>-</u>
<u>Special Education Cluster (IDEA):</u>						
Special Education Grants to States	84.027	H027A190111	161,375	-	151,419	-
	84.027	H027A200111	1,061,898	-	1,078,121	-
Special Education Preschool Grants	84.173	H173A190119	4,423	-	3,941	-
	84.173	H173A200119	51,545	-	49,999	-
Total Special Education Cluster (IDEA)			<u>1,279,241</u>	<u>-</u>	<u>1,283,480</u>	<u>-</u>
English Language Acquisition State Grants	84.365	S365A190035	127	-	-	-
	84.365	S365A200035	14,484	-	14,484	-
			<u>14,611</u>	<u>-</u>	<u>14,484</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367	S367A190034	23,048	-	23,048	-
	84.367	S367A200034	98,123	-	93,581	-
			<u>121,171</u>	<u>-</u>	<u>116,629</u>	<u>-</u>
Striving Readers	84.371	S371C190019	94,075	-	80,408	-
	84.371	S371C200019	262,575	-	313,484	-
			<u>356,650</u>	<u>-</u>	<u>393,892</u>	<u>-</u>
Student Support and Academic Enrichment Program	84.424	S424A190036	17,429	-	-	-
	84.424	S424A200036	23,619	-	23,619	-
			<u>41,048</u>	<u>-</u>	<u>23,619</u>	<u>-</u>
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	N/A	-	-	204,850	-
Total U.S. Department of Education			<u>2,513,460</u>	<u>-</u>	<u>2,726,880</u>	<u>-</u>
Total Federal Assistance			<u>\$ 3,625,658</u>	<u>\$ 258,949</u>	<u>\$ 3,839,078</u>	<u>\$ 258,949</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Northmont City School District (the District) under programs of the federal government for the fiscal year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E - FOOD DISTRIBUTION 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.

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted
Identification of major programs:	
<i>Nutrition Cluster:</i>	
CFDA 10.553 – School Breakfast Program	
CFDA 10.555 – National School Lunch Program	
Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary Schedule of Prior Audit Findings

None noted



OHIO AUDITOR OF STATE KEITH FABER



NORTHMONT CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/2/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov