

**Northmont City School District
Montgomery County, Ohio**

Basic Financial Statements

June 30, 2010

(with Independent Auditors' Report)



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Northmont City School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2010. 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. The Northmont City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 31, 2011

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Independent Auditors' Report

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

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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 and the budgetary comparison schedule and notes on pages 44 through 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 23, 2010

Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

The discussion and analysis of Northmont City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- Net assets of governmental activities decreased \$103,905 which represents a 1% decrease from 2009.
- General revenues accounted for \$45,473,102 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,379,096 or 19% of total revenues of \$55,852,198.
- The District had \$55,956,103 in expenses related to governmental activities; \$10,379,096 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$45,473,102 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- Governmental Activities – All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant 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 all 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 fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

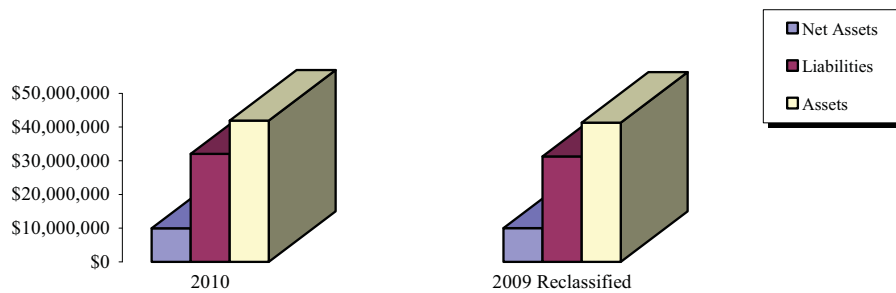
**Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2010 compared to fiscal year 2009:

Table 1
Net Assets

	Governmental Activities	
	2010	2009 Reclassified
Assets:		
Current and Other Assets	\$35,934,968	\$35,334,673
Capital Assets	6,014,312	6,178,517
Total Assets	41,949,280	41,513,190
Liabilities:		
Other Liabilities	29,227,693	28,576,901
Long-Term Liabilities	2,790,124	2,900,921
Total Liabilities	32,017,817	31,477,822
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,646,608	5,500,657
Restricted	2,112,251	1,715,093
Unrestricted	2,172,604	2,819,618
Total Net Assets	\$9,931,463	\$10,035,368



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$9,931,463.

Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

At year-end, capital assets represented 14% of total assets. Capital assets include land, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2010, was \$5,646,608. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,112,251 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and other assets increased slightly, mainly due to a slight increase in equity in pooled cash and investments which was mainly due to a slight increase in the amount of investments held by the District in fiscal year 2010 as compared to fiscal year 2009. Other Liabilities increased mainly due to an increase in unearned revenue, which was mainly due to a corresponding increase in taxes receivable.

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Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

	Table 2 Changes in Net Assets	
	Governmental Activities	
	2010	2009 Reclassified
Revenues:		
Program Revenues		
Charges for Services	\$3,700,556	\$3,958,932
Operating Grants, Contributions	6,678,540	4,513,216
Capital Grants and Contributions	0	42,918
General Revenues:		
Property Taxes	22,421,343	23,291,351
Grants and Entitlements	22,616,629	23,484,895
Other	435,130	891,156
Total Revenues	55,852,198	56,182,468
Program Expenses:		
Instruction	36,110,647	35,925,047
Support Services:		
Pupil and Instructional Staff	4,368,299	4,487,356
School Administrative, General		
Administration, Fiscal and Business	4,572,774	4,924,813
Operations and Maintenance	3,618,889	3,903,643
Pupil Transportation	2,229,190	2,126,754
Central	348,882	356,690
Operation of Non-Instructional Services	3,597,326	3,906,456
Extracurricular Activities	1,082,359	1,227,247
Interest and Fiscal Charges	27,737	34,303
Total Program Expenses	55,956,103	56,892,309
Change in Net Assets	(103,905)	(709,841)
Net Assets Beginning of Year	10,035,368	10,745,209
Net Assets End of Year	\$9,931,463	\$10,035,368

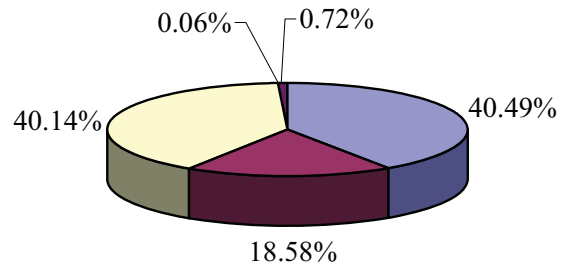
Northmont City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

The District revenues are mainly from two sources. Property taxes levied for general and capital project purposes and grants and entitlements comprised 81% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 40% of revenue for governmental activities for the District in fiscal year 2010.

Revenue Sources	2010	Percent of Total
General Grants	\$22,616,629	40.5%
Program Revenues	10,379,096	18.6%
General Tax Revenues	22,421,343	40.1%
Investment Earnings	30,698	0.1%
Other Revenues	404,432	0.7%
	<u>\$55,852,198</u>	<u>100.0%</u>



Instruction comprises 65% of governmental program expenses. Support services expenses were 27% of governmental program expenses. All other expenses including interest expense were 8%. Interest expense was attributable to the outstanding capital leases.

Property tax revenue decreased in 2010 compared to 2009 mainly due to the phase out of the tangible personal property tax. Instructional expenses increased slightly mainly due to an increase in personnel costs and general inflationary factors.

Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$36,110,647	\$35,925,047	(\$30,151,588)	(\$31,881,985)
Support Services:				
Pupil and Instructional Staff	4,368,299	4,487,356	(4,322,846)	(4,468,234)
School Administrative, General				
Administration, Fiscal and Business	4,572,774	4,924,813	(4,473,007)	(4,861,318)
Operations and Maintenance	3,618,889	3,903,643	(3,535,323)	(3,879,606)
Pupil Transportation	2,229,190	2,126,754	(2,165,172)	(2,025,742)
Central	348,882	356,690	(303,200)	(299,818)
Operation of Non-Instructional Services	3,597,326	3,906,456	53,554	(155,005)
Extracurricular Activities	1,082,359	1,227,247	(651,688)	(771,232)
Interest and Fiscal Charges	27,737	34,303	(27,737)	(34,303)
Total Expenses	<u>\$55,956,103</u>	<u>\$56,892,309</u>	<u>(\$45,577,007)</u>	<u>(\$48,377,243)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$32,642,518 (91%) of the total \$36,010,201 governmental funds assets.

General Fund: Fund balance at June 30, 2010 was \$3,535,410, including \$1,866,468 of unreserved balance, a decrease of \$234,125 from 2009. The fund balance decreased from the prior year mainly due to a decrease in taxes revenue.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2010, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$47,671,880, compared to original budget estimates of \$49,405,510. Of this \$1,733,630 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$7,776,306.

Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$6,014,312 invested in land, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009:

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

	Governmental Activities	
	2010	2009
Land	\$901,562	\$901,562
Building and Improvements	3,824,812	3,896,935
Furniture, Fixtures and Equipment	711,090	710,858
Vehicles	489,399	669,162
Infrastructure	87,449	0
Total Net Capital Assets	\$6,014,312	\$6,178,517

The decrease in capital assets is due to current year depreciation expense exceeding current year capital asset additions minus deletions.

See Note 6 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2010, the District had \$367,704 in capital leases payable, \$156,718 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2010	2009
Capital Leases	\$367,704	\$677,860

See Note 7 and 8 to the basic financial statements for further details on the District's long-term liabilities.

Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

For the Future

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the OEBM model began in FY 10 with funding being allocated based on 99% of FY 09 funding and 98% of FY 10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY 11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandy Harris, Treasurer at Northmont City School District, 4001 Old Salem Road, Englewood, Ohio 45322. Or e-mail Sandy Harris at sharris@northmontschools.com.

Northmont City School District, Ohio
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$11,205,103
Receivables:	
Taxes	23,962,727
Intergovernmental	767,138
Nondepreciable Capital Assets	901,562
Depreciable Capital Assets, Net	<u>5,112,750</u>
Total Assets	<u>41,949,280</u>
Liabilities:	
Accounts Payable	503,194
Accrued Wages and Benefits	6,306,038
Matured Compensated Absences	360,404
Unearned Revenue	22,058,057
Long-Term Liabilities:	
Due Within One Year	612,473
Due In More Than One Year	<u>2,177,651</u>
Total Liabilities	<u>32,017,817</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,646,608
Restricted for:	
Debt Service	386
Capital Projects	1,466,336
Other Purposes	645,529
Unrestricted	<u>2,172,604</u>
Total Net Assets	<u><u>\$9,931,463</u></u>

See accompanying notes to the Basic Financial Statements.

Northmont City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$25,046,618	\$603,644	\$1,406,759	(\$23,036,215)
Special	10,753,394	57,452	3,830,321	(6,865,621)
Vocational	304,889	0	60,883	(244,006)
Other	5,746	0	0	(5,746)
Support Services:				
Pupil	3,788,554	0	0	(3,788,554)
Instructional Staff	579,745	0	45,453	(534,292)
General Administration	57,288	0	35,566	(21,722)
School Administration	3,157,665	0	64,201	(3,093,464)
Fiscal	934,903	0	0	(934,903)
Business	422,918	0	0	(422,918)
Operations and Maintenance	3,618,889	15,966	67,600	(3,535,323)
Pupil Transportation	2,229,190	118	63,900	(2,165,172)
Central	348,882	0	45,682	(303,200)
Operation of Non-Instructional Services	3,597,326	2,593,677	1,057,203	53,554
Extracurricular Activities	1,082,359	429,699	972	(651,688)
Interest and Fiscal Charges	27,737	0	0	(27,737)
Total Governmental Activities	\$55,956,103	\$3,700,556	\$6,678,540	(45,577,007)

General Revenues:

Property Taxes Levied for:

General Purposes	22,421,343
Grants and Entitlements not Restricted to Specific Programs	22,616,629
Revenue in Lieu of Taxes	181,783
Investment Earnings	30,698
Other Revenues	222,649

Total General Revenues 45,473,102

Change in Net Assets (103,905)

Net Assets Beginning of Year 10,035,368

Net Assets End of Year \$9,931,463

See accompanying notes to the Basic Financial Statements.

Northmont City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$8,591,586	\$2,613,517	\$11,205,103
Receivables:			
Taxes	23,947,429	15,298	23,962,727
Intergovernmental	28,270	738,868	767,138
Interfund	75,233	0	75,233
Total Assets	32,642,518	3,367,683	36,010,201
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	451,836	51,358	503,194
Accrued Wages and Benefits	5,662,922	643,116	6,306,038
Matured Compensated Absences	350,419	9,985	360,404
Interfund Payable	0	75,233	75,233
Deferred Revenue	22,641,931	359,816	23,001,747
Total Liabilities	29,107,108	1,139,508	30,246,616
Fund Balances:			
Reserved for Encumbrances	363,444	181,826	545,270
Reserved for Property Tax Advances	1,305,498	0	1,305,498
Unreserved, Undesignated, Reported in:			
General Fund	1,866,468	0	1,866,468
Special Revenue Funds	0	634,560	634,560
Debt Service Funds	0	386	386
Capital Projects Funds	0	1,411,403	1,411,403
Total Fund Balances	3,535,410	2,228,175	5,763,585
Total Liabilities and Fund Balances	\$32,642,518	\$3,367,683	\$36,010,201

See accompanying notes to the Basic Financial Statements.

Northmont City School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balance		\$5,763,585
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,014,312
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$862,874	
Intergovernmental	<u>80,816</u>	
		943,690
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(2,422,420)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(367,704)</u>
Net Assets of Governmental Activities		<u>\$9,931,463</u>

See accompanying notes to the Basic Financial Statements.

Northmont City School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$22,664,485	\$0	\$22,664,485
Revenue in lieu of taxes	0	181,783	181,783
Tuition and Fees	603,427	65,332	668,759
Investment Earnings	29,047	1,651	30,698
Intergovernmental	24,242,042	4,975,235	29,217,277
Extracurricular Activities	0	452,860	452,860
Charges for Services	0	2,562,971	2,562,971
Other Revenues	22,151	216,464	238,615
Total Revenues	47,561,152	8,456,296	56,017,448
Expenditures:			
Current:			
Instruction:			
Regular	23,427,317	1,351,758	24,779,075
Special	8,319,428	2,397,497	10,716,925
Vocational	303,362	0	303,362
Other	5,746	0	5,746
Support Services:			
Pupil	3,714,498	0	3,714,498
Instructional Staff	533,559	37,345	570,904
General Administration	22,230	34,000	56,230
School Administration	3,109,930	60,627	3,170,557
Fiscal	935,063	0	935,063
Business	423,441	0	423,441
Operations and Maintenance	3,556,785	64,989	3,621,774
Pupil Transportation	2,029,364	10,646	2,040,010
Central	337,506	7,080	344,586
Operation of Non-Instructional Services	663	3,597,813	3,598,476
Extracurricular Activities	582,569	500,908	1,083,477
Capital Outlay	218,581	0	218,581
Debt Service:			
Principal Retirement	249,315	60,841	310,156
Interest and Fiscal Charges	20,920	6,817	27,737
Total Expenditures	47,790,277	8,130,321	55,920,598
Excess of Revenues Over (Under) Expenditures	(229,125)	325,975	96,850
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	0	17,903	17,903
Transfers In	0	5,000	5,000
Transfers (Out)	(5,000)	0	(5,000)
Total Other Financing Sources (Uses)	(5,000)	22,903	17,903
Net Change in Fund Balance	(234,125)	348,878	114,753
Fund Balance Beginning of Year	3,769,535	1,879,297	5,648,832
Fund Balance End of Year	\$3,535,410	\$2,228,175	\$5,763,585

See accompanying notes to the Basic Financial Statements.

Northmont City School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balance - Total Governmental Funds \$114,753

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

Governmental funds report capital asset additions 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 of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	486,413	
Depreciation Expense	<u>(608,979)</u>	(122,566)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (41,639)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(243,142)	
Intergovernmental	<u>77,892</u>	(165,250)

Repayments of capital lease principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets. 310,156

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 governmental funds.

Compensated Absences	<u>(199,359)</u>	
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Change in Net Assets of Governmental Activities (\$103,905)

See accompanying notes to the Basic Financial Statements.

Northmont City School District, Ohio
Statement of Assets and Liabilities
Agency Fund
June 30, 2010

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$76,655</u>
Total Assets	<u><u>76,655</u></u>
Liabilities:	
Accounts Payable	287
Due to Students	<u>76,368</u>
Total Liabilities	<u><u>\$76,655</u></u>

See accompanying notes to the Basic Financial Statements.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - Description of the District

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 and Englewood and the Village of Phillipsburg and Clay Township. The District is the 58th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 349 non-certificated employees, 392 certificated employees, including 24 administrative employees who provide services to 5,800 students and other community members. The District currently operates nine instructional buildings, one administrative building, and one service center.

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, latchkey and maintenance of District facilities.

The following activities are included within the reporting entity:

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.

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.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The District is associated with organizations which are defined as jointly governed organizations and insurance purchasing pools. The jointly governed organizations are the Metropolitan Dayton Educational Cooperative Association (MDECA), the Southwestern Ohio Educational Purchasing Council (SOEPC), and the Southwestern Ohio Instructional Technology Association (SOITA). These jointly governed organizations are presented in Note 13. The insurance purchasing pools are the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP) and the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust. These organizations are presented in Note 14.

Note 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government-wide activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

Measurement Focus

Government-wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. 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. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

Governmental funds focus 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 is the District's only major governmental fund:

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.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District only has one fiduciary fund, which is an agency fund. The student managed activity agency fund is used to account for assets and liabilities generated by student managed activities.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance and grants.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Equity in Pooled Cash and Investments

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

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in repurchase agreements and State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2010. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2010.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2010 amounted to \$29,047 in the general fund and \$1,651 in other governmental funds.

Capital Assets

All capital assets are valued at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand five hundred dollars (\$1,500). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

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

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

<u>Vacation</u> How Earned	<u>Certified</u> Not Eligible	<u>Administrators</u> 20-25 days per year	<u>Non-Certificated</u> 10-25 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	30 days Payoff up to 10 days/yr. unused earned	Double the max accumulated
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u> How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	249 days	249 days	249 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	25% paid upon retirement (62 days maximum)	30% + 20 days paid upon retirement (85 days maximum)	1/3 paid upon retirement (62 days maximum)

Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$2,112,251 in restricted net assets, none was restricted by enabling legislation.

Interfund Activity

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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund "receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

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

Fund Equity

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances and property tax advances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

Estimates

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

Note 3 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires 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 by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated 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 or deposited in the following securities:

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 two years from the date of purchase unless matched to a specific obligation 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.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2010, the carrying amount of the District's deposits was \$4,725,985 and the bank balance was \$5,645,467. Of the District's bank balance of \$5,645,467, none was exposed to custodial risk because it was all FDIC insured.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2010, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Repurchase Agreement	\$5,113,477	0.00
STAROhio	1,443,296	0.15
Total Fair Value	\$6,556,773	
Portfolio Weighted Average Maturity		0.03

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAAM by Standards & Poor's. 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 in Ohio Revised Code 135.

Concentration of Credit Risk – The District's investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested in Repurchase Agreements and STAROhio for 2010. Repurchase Agreements and STAROhio comprise 78% and 22% of the District's investment portfolio, respectively.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 4 - 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, public utility, and tangible personal (used in business) 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.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. 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, 2010, are available to finance fiscal year 2011 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, tangible personal property, and public utility taxes that became measurable as of June 30, 2010. Although 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 revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2010 was \$1,305,498 for the General Fund and is recognized as revenue, with a corresponding reserve to fund balance.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 the fiscal year 2010 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$668,756,000
Public Utility	<u>10,216,000</u>
Total	<u><u>\$678,972,000</u></u>

Note 5 – Receivables

Receivables at June 30, 2010, consisted of taxes, 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.

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$901,562	\$0	\$0	\$901,562
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	18,347,134	215,316	262,358	18,300,092
Furniture, Fixtures and Equipment	3,906,236	162,766	196,112	3,872,890
Vehicles	3,158,950	19,999	0	3,178,949
Infrastructure	<u>0</u>	<u>88,332</u>	<u>0</u>	<u>88,332</u>
Totals at Historical Cost	<u><u>26,313,882</u></u>	<u><u>486,413</u></u>	<u><u>458,470</u></u>	<u><u>26,341,825</u></u>
Less Accumulated Depreciation:				
Buildings and Improvements	14,450,199	274,023	248,942	14,475,280
Furniture, Fixtures and Equipment	3,195,378	134,311	167,889	3,161,800
Vehicles	2,489,788	199,762	0	2,689,550
Infrastructure	<u>0</u>	<u>883</u>	<u>0</u>	<u>883</u>
Total Accumulated Depreciation	<u><u>20,135,365</u></u>	<u><u>608,979</u></u>	<u><u>416,831</u></u>	<u><u>20,327,513</u></u>
Governmental Activities Capital Assets, Net	<u><u>\$6,178,517</u></u>	<u><u>(\$122,566)</u></u>	<u><u>\$41,639</u></u>	<u><u>\$6,014,312</u></u>

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Depreciation expense was charged to governmental functions in the Statement of Activities as follows:

Instruction:		
Regular		\$280,259
Special		29,445
Support Services:		
Pupil		3,626
Instructional Staff		2,026
General Administration		1,058
School Administration		12,711
Fiscal		182
Business		98
Operations and Maintenance		22,390
Pupil Transportation		202,454
Central		329
Operation of Non-Instructional Services		47,318
Extracurricular Activities		7,083
Total Depreciation Expense		<u>\$608,979</u>

Note 7 - Long-Term Liabilities

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Capital Leases	\$677,860	\$0	\$310,156	\$367,704	\$156,718
Compensated Absences	2,223,061	676,720	477,361	2,422,420	455,755
Total Governmental Activities Long-Term Liabilities	<u>\$2,900,921</u>	<u>\$676,720</u>	<u>\$787,517</u>	<u>\$2,790,124</u>	<u>\$612,473</u>

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

Note 8 – Leases

Capital Leases

The District has leases for energy conservation equipment, telecommunication equipment, and two modular classrooms.

The District’s leases meet the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 “Accounting for Leases”, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the general fund and other governmental funds.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Fiscal Year Ending June 30,	Long-Term Debt
2011	\$169,800
2012	128,298
2013	46,068
2014	43,420
Total Payments	387,586
Less: Interest	(19,882)
Present Value of Minimum Lease Payments	<u>\$367,704</u>

Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

Buildings and Improvements	\$420,379
Furniture, Fixtures and Equipment	1,483,337

Note 9 – Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$1,226,604, \$1,170,690, and \$1,135,392, respectively; 49% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2010, 2009, and 2008 were \$3,633,024, \$3,469,932, and \$3,409,704, respectively; 83% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Note 10 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2010, 2009 and 2008 were \$66,587, \$62,716 and \$55,148, respectively, which equaled the required contributions each year.

Health Care Plan

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2010, the health care allocation was .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. 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 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$157,397, \$347,862, and \$426,151, respectively; 49% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2010, 2009 and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2010, 2009, and 2008 were \$259,502, \$247,852, and \$243,550, respectively; 83% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Note 11 - Other Employee Benefits

Insurance Benefits

The District provides health insurance through United Health Care. Life insurance, accidental death, and dismemberment insurance is provided to most employees through Anthem.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Retirement Incentive

The District Board of Education approved a Retirement Incentive program. Participation was open to employees who are eligible, by June 30 of any given year, to retire under the State Teachers Retirement System of Ohio. Employees are required to give written notice to the Superintendent by March 30 of the year he/she first becomes eligible for "full retirement" under the State Teachers Retirement system of Ohio and must do so prior to exceeding 30 years of service with the District. The Board did not limit the number of employees participating in the plan in any one year. The retirement incentive is equal to \$1,000 times each year of Northmont service, not to exceed \$20,000 provided that such unit member has at least 10 years of Northmont service, five years of which must be consecutive and in a paid status immediately prior to retirement. At June 30, 2010, the District had 7 employees who had chosen to accept the retirement incentive. The liability at June 30, 2010, for those 7 employees of \$136,000 has been included in the matured compensated absences liability in the fund from which the employee's salary will be paid.

Note 12 - Contingent Liabilities

Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2010.

Litigation

The District's attorney estimates that all other potential claims, if applicable, against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

Note 13 - Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association

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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by the majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. During fiscal year 2010, the District paid MDECA \$193,716 for services provided during the year. Financial information can be obtained from MDECA at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative 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, of other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. 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 2010, the Northmont City District paid \$281,908 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Kenneth Swink, who serves as Director, at 303 Corp. Center Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2010, the District paid \$3,642 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 14 - Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council
Workers' Compensation Group Rating Plan

The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 participants. The Plan is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plans 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 premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Note 15 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the District contracted with Southwestern Ohio Educational Purchasing Cooperative for property insurance, fleet insurance and for liability insurance coverage.

Coverages provided by the above companies are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$86,991,000
Boiler and Machinery (\$2,500 deductible)	86,991,000
Crime Insurance (\$1,000 deductible)	500,000
Automobile Liability (\$1,000 deductible), per occurrence	6,000,000
General Liability	
Per occurrence	6,000,000

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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

For fiscal year 2010, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

Note 16 – Accountability

The following individual funds had a deficit in fund balance at year end (includes accrual entries):

Other Governmental Funds:	
Auxiliary Services	\$16,435
Title VI-B	13,923
Title III	468
Title I	28,382
Drug Free Schools	1,079
Title VI-R	11,933

The above funds have deficit fund balances due to the accrual of wages and fringe benefits (GAAP basis of accounting); and also due to the timing of reimbursement for goods and/or services rendered. The general fund is liable for any deficit in any funds and will provide operating transfers when cash is required, not when accruals occur. On the cash basis of accounting, no funds had deficit balances.

Note 17 - Fund Balance Reserves for Set-Asides

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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 the same purposes in future years.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2009	(\$4,028,629)	\$0
Current Year Set-aside Requirement	921,484	921,484
Qualified Disbursements	(844,800)	(1,658,000)
Total	<u>(\$3,951,945)</u>	<u>(\$736,516)</u>
Set-Aside Reserve Balance as of June 30, 2010	<u>\$0</u>	<u>\$0</u>
Set Aside Balance Carried Forward to Future Years	<u>(\$3,951,945)</u>	

Offset credits for capital activity during the year exceeded the amount required for the set-aside. Qualifying disbursements and carryover from prior years for textbooks totaled \$4,873,429, resulting in \$3,951,945 for carryover to offset textbook requirements in future years.

Note 18 - Interfund Transactions

Interfund transactions at June 30, 2010, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$75,233	\$0	\$0	\$5,000
Other Governmental Funds	0	75,233	5,000	0
Total All Funds	<u>\$75,233</u>	<u>\$75,233</u>	<u>\$5,000</u>	<u>\$5,000</u>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

REQUIRED SUPPLEMENTARY INFORMATION

Northmont City School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$23,657,344	\$22,827,213	\$22,849,016	\$21,803
Tuition and Fees	624,774	602,851	603,427	576
Investment Earnings	30,075	29,019	29,047	28
Intergovernmental	25,070,381	24,190,666	24,213,772	23,106
Other Revenues	22,936	22,131	22,152	21
Total Revenues	<u>49,405,510</u>	<u>47,671,880</u>	<u>47,717,414</u>	<u>45,534</u>
Expenditures:				
Current:				
Instruction:				
Regular	25,777,840	25,777,840	23,573,381	2,204,459
Special	9,223,142	9,223,142	8,434,401	788,741
Vocational	337,770	337,770	308,885	28,885
Other	19,629	19,629	17,950	1,679
Support Services:				
Pupil	4,100,672	4,100,672	3,749,992	350,680
Instructional Staff	623,483	623,483	570,164	53,319
General Administration	24,309	24,309	22,230	2,079
School Administration	3,586,385	3,586,385	3,279,686	306,699
Fiscal	1,025,954	1,025,954	938,217	87,737
Business	479,482	479,482	438,478	41,004
Operations and Maintenance	3,989,860	3,989,860	3,648,657	341,203
Pupil Transportation	2,259,344	2,259,344	2,066,130	193,214
Central	372,699	372,699	340,827	31,872
Operation of Non-Instructional Services	725	725	663	62
Extracurricular Activities	636,977	636,977	582,504	54,473
Capital Outlay	575,041	575,041	525,865	49,176
Debt Service:				
Principal Retirement	272,630	272,630	249,315	23,315
Interest and Fiscal Charges	22,876	22,876	20,920	1,956
Total Expenditures	<u>53,328,818</u>	<u>53,328,818</u>	<u>48,768,265</u>	<u>4,560,553</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,923,308)</u>	<u>(5,656,938)</u>	<u>(1,050,851)</u>	<u>4,606,087</u>
Other Financing Sources (Uses):				
Advances In	162,140	156,451	156,600	149
Advances (Out)	(82,268)	(82,268)	(75,233)	7,035
Transfers (Out)	(5,468)	(5,468)	(5,000)	468
Total Other Financing Sources (Uses)	<u>74,404</u>	<u>68,715</u>	<u>76,367</u>	<u>7,652</u>
Net Change in Fund Balance	(3,848,904)	(5,588,223)	(974,484)	4,613,739
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>8,750,790</u>	<u>8,750,790</u>	<u>8,750,790</u>	<u>0</u>
Fund Balance End of Year	<u>\$4,901,886</u>	<u>\$3,162,567</u>	<u>\$7,776,306</u>	<u>\$4,613,739</u>

See accompanying notes to the required supplementary information.

Northmont City School District, Ohio
Notes to the Required Supplementary Information
For The Year Ended June 30, 2010

Note 1 - Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2010.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

Northmont City School District, Ohio
Notes to the Required Supplementary Information
For The Year Ended June 30, 2010

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$234,125)
Revenue Accruals	156,262
Expenditure Accruals	(162,708)
Advances In	156,600
Advances (Out)	(75,233)
Encumbrances	<u>(815,280)</u>
Budget Basis	<u><u>(\$974,484)</u></u>

Northmont City School District
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Award Receipts</u>	<u>Award Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	N/A	\$ 162,225	\$ 162,225
Cash Assistance				
National School Breakfast Program	10.553	05-PU	96,785	96,785
National School Lunch Program	10.555	04-PU	808,510	808,510
Child Nutrition	10.574	N/A	<u>1,992</u>	<u>1,992</u>
Total Nutrition Cluster			<u>1,069,512</u>	<u>1,069,512</u>
Total U.S. Department of Agriculture			<u>1,069,512</u>	<u>1,069,512</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States	84.027	6B-SF	1,074,090	987,530
Special Education Grants to States - ARRA	84.391	6B-SF	445,500	449,116
Special Education - Preschool Grants	84.173	PG-S1	3,843	3,843
Special Education - Preschool Grants - ARRA	84.392	PG-S1	<u>38,827</u>	<u>38,827</u>
Total Special Education Cluster			1,562,260	1,479,316
Title I, Part A Cluster				
Title I Grants to Local Education Agencies	84.010	C1-S1	555,016	517,425
Title I Grants to Local Education Agencies - ARRA	84.389	C1-S1	<u>300,201</u>	<u>300,201</u>
Total Title I, Part A Cluster			855,217	817,626
Safe and Drug Free Schools and Communities	84.186	DR-S1	14,793	14,335
Education Technology State Grants	84.318	TJ-S1	5,211	5,211
Title III Immigrant Grants	84.365	T3-S2	31,398	30,808
Improving Teacher Quality State Grants	84.367	TRS1	145,331	153,830
State Fiscal Stabilization Grants for States - ARRA	84.394	N/A	<u>1,354,474</u>	<u>1,354,474</u>
Total U.S. Department of Education			<u>3,968,684</u>	<u>3,855,600</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 5,038,196</u>	<u>\$ 4,925,112</u>

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

Northmont City School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

1. Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the Northmont City School District. The schedule has been prepared on the cash basis of accounting.

2. U.S. Department of Agriculture Programs:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2010 the District had no significant food commodities in inventory.

**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 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

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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*.

We noted certain matters that we reported to management of the District, in a separate letter dated December 23, 2010.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 23, 2010

**Report on Compliance with Requirements That Could Have a Direct
And Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the Northmont City School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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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 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 23, 2010

Northmont City School District
 Schedule of Findings And Questioned Costs
 Fiscal Year Ended June 30, 2010

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
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: Unqualified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? None noted

Identification of major programs:

Title I Cluster:

- CFDA 84.010 – Title I
- CFDA 84.389 – Title I - ARRA

Special Education Cluster

- CFDA 84.027 – IDEA B
- CFDA 84.173 – IDEA Preschool
- CFDA 84.391 – IDEA B – ARRA
- CFDA 84.392 – IDEA Preschool – ARRA

State Fiscal Stabilization Fund – ARRA

CFDA 84.394

Dollar threshold to distinguish between Type A and Type B programs: \$300,000

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 of Prior Audit Findings and Questioned Costs

Finding 2009-001: Audit Adjustments

During the course of our audit, we identified a misstatement in the financial statements for the year under audit that was not initially identified by the District's internal control. A description of the adjustment needed follows:

Property Taxes Receivable – An adjustment was necessary to correct the amount used by the District to determine the property tax receivable associated with amounts to be distributed by Montgomery County in fiscal year 2010.

The District should closely review the annual financial report prepared to ensure all transactions and account balances are accurately reported.

Status: *Corrected*



Dave Yost • Auditor of State

NORTHMONT CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2011**