

Northmont City School District Montgomery County, Ohio

Basic Financial Statements

June 30, 2014

with Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Northmont City School District
4001 Old Salem Road
Englewood, Ohio 45322-2681

We have reviewed the *Independent Auditor's Report* of the Northmont City School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregated discretely presented component unit and remaining fund information of the Northmont City School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the budgetary comparison schedule and notes on pages 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditure of federal awards (the federal schedule) as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The federal schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the federal schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015, 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* in considering the District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
February 27, 2015

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Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of Northmont City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. 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 Government Activities' financial highlights for 2014 are as follows:

- Net Position of governmental activities increased \$3,635,247 from 2013.
- General revenues accounted for \$50,811,395 in revenue or 84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9,402,112 or 16% of total revenues of \$60,213,507.
- The District had \$56,578,260 in expenses related to governmental activities; \$9,402,112 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$50,811,395 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 Position* 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 and the Classroom Facilities Fund are the major funds 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 2014?" The Government-wide Financial Statements answer this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources, revenues and expenses* 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.

Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

These two statements report the District's *net position* and changes in that position. This change in net position 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.

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.

The Government-wide Financial Statements include not only the District itself (known as the primary government), but also a legally separate entity (Northmont Secondary Academy) for which the District is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the District itself. Northmont Secondary Academy, although also legally separate, functions for all practical purposes as a department of the District, and therefore has been included as an integral part of the District.

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. 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 Position 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.

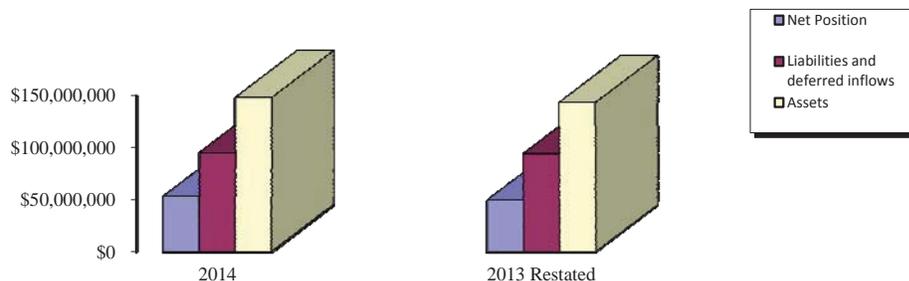
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013:

Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2014	2013 Restated
Assets:		
Current and Other Assets	\$96,979,458	\$122,641,664
Capital Assets	50,905,452	20,560,038
Total Assets	147,884,910	143,201,702
Liabilities:		
Other Liabilities	11,847,477	9,890,203
Long-Term Liabilities	57,561,876	57,778,181
Total Liabilities	69,409,353	67,668,384
Total Deferred Inflows of Resources	25,511,264	26,204,272
Net Position:		
Net Investment in Capital Assets	23,021,107	11,847,223
Restricted	25,515,824	34,486,386
Unrestricted	4,427,362	2,995,437
Total Net Position	\$52,964,293	\$49,329,046



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$52,964,293.

At year-end, capital assets represented 34% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2014, was \$23,021,107. 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.

Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

A portion of the District's net position, \$25,515,824 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.

Capital Assets increased (with a corresponding decrease in Current and Other Assets) mainly due to the continuation of the building projects in fiscal year 2014. Long-Term Liabilities decreased mainly due to the District continuing to pay scheduled debt service associated with its long term debt obligations. Other Liabilities increased due to an increase in contracts payable.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013 Restated
Revenues:		
Program Revenues		
Charges for Services	\$3,722,045	\$3,866,968
Operating Grants, Contributions	5,680,067	4,928,181
General Revenues:		
Property Taxes	28,327,816	26,845,010
Grants and Entitlements	21,731,471	21,882,885
Other	752,108	913,151
Total Revenues	<u>60,213,507</u>	<u>58,436,195</u>
Program Expenses:		
Instruction	33,586,851	35,234,145
Support Services:		
Pupil and Instructional Staff	4,453,231	4,492,431
School Administrative, General		
Administration, Fiscal and Business	5,208,449	5,141,537
Operations and Maintenance	3,542,669	3,341,375
Pupil Transportation	2,670,722	2,767,544
Central	363,277	280,311
Operation of Non-Instructional Services	3,524,010	3,789,784
Extracurricular Activities	1,108,097	1,147,078
Interest and Fiscal Charges	2,120,954	2,141,578
Total Program Expenses	<u>56,578,260</u>	<u>58,335,783</u>
Change in Net Position	3,635,247	100,412
Net Position Beginning of Year	<u>49,329,046</u>	<u>49,228,634</u>
Net Position End of Year	<u><u>\$52,964,293</u></u>	<u><u>\$49,329,046</u></u>

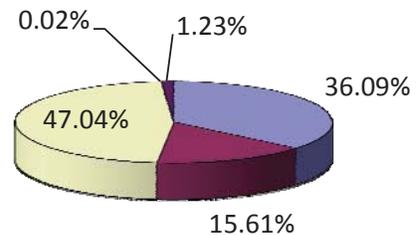
Northmont City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The District revenues are mainly from two sources. Property taxes levied for general, debt service and capital project purposes and grants and entitlements comprised 83% 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 48% of revenue for governmental activities for the District in fiscal year 2014.

Revenue Sources	2014	Percent of Total
General Grants	\$21,731,471	36.09%
Program Revenues	9,402,112	15.61%
General Tax Revenues	28,327,816	47.05%
Investment Earnings	8,749	0.02%
Other Revenues	743,359	1.23%
Totals	\$60,213,507	100.00%



Instruction comprises 59% of governmental program expenses. Support services expenses were 29% of governmental program expenses. All other expenses including interest expense were 12%. Interest expense was attributable to the outstanding capital leases and bonds.

Property taxes increased mainly due to an increase in property tax receipts. Total expenses decreased mainly due to the District’s continued effort to spend conservatively.

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 government 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.

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Northmont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$33,586,851	\$35,234,145	(\$28,550,099)	(\$30,805,577)
Support Services:				
Pupil and Instructional Staff	4,453,231	4,492,431	(4,339,365)	(4,390,281)
School Administrative, General				
Administration, Fiscal and Business	5,208,449	5,141,537	(5,161,679)	(5,091,414)
Operations and Maintenance	3,542,669	3,341,375	(3,482,893)	(3,278,628)
Pupil Transportation	2,670,722	2,767,544	(2,570,567)	(2,734,402)
Central	363,277	280,311	(339,806)	(211,048)
Operation of Non-Instructional Services	3,524,010	3,789,784	(22,139)	(210,005)
Extracurricular Activities	1,108,097	1,147,078	(588,646)	(677,701)
Interest and Fiscal Charges	2,120,954	2,141,578	(2,120,954)	(2,141,578)
Total Expenses	<u>\$56,578,260</u>	<u>\$58,335,783</u>	<u>(\$47,176,148)</u>	<u>(\$49,540,634)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Classroom Facilities Fund. Assets of these funds comprised \$76,401,601 (79%) of the total \$96,994,458 governmental funds' assets.

General Fund: Fund balance at June 30, 2014 was \$6,170,186, an increase of \$1,696,113 from 2013. The fund balance increased from the prior year mainly due to a decrease in instructional expenditures.

Classroom Facilities Fund: Fund balance at June 30, 2014 was \$23,977,080. The primary reason for the decrease in fund balance was due to the continuation of the school building projects.

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 2014, the District did not amend its general fund budget. 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 \$49,191,925, compared to original budget estimates of \$48,941,077. Of this \$250,848 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$7,853,716.

Northmont City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$50,905,452 invested in land, construction in progress, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$1,398,657	\$1,398,657
Construction in Progress	43,722,642	13,481,087
Building and Improvements	4,110,841	3,911,327
Furniture, Fixtures and Equipment	817,912	761,588
Vehicles	712,059	860,917
Infrastructure	<u>143,341</u>	<u>146,462</u>
Total Net Capital Assets	<u><u>\$50,905,452</u></u>	<u><u>\$20,560,038</u></u>

The increase in capital assets is due to the continuation of the building projects during fiscal year 2014.

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

Debt

At June 30, 2014, the District had \$54,955,464 in bonds and capital leases payable, \$449,024 due within one year. Table 5 summarizes outstanding debt at year end.

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Northmont City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2014	2013
Bonds:		
2012A Current Interest School Improvement Bonds	\$44,455,000	\$44,715,000
2012A Capital Appreciation Bonds - Principal	121,703	121,703
2012A Accretion of Interest	52,734	26,343
2012B Current Interest School Improvement Bonds	9,410,000	9,510,000
Premium on School Improvement Bonds	745,384	768,975
Capital Leases	170,643	294,627
	<u>\$54,955,464</u>	<u>\$55,436,648</u>

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

For the Future

The 2010-11 biennial budget (Am. Sub. HBI of the 128th General Assembly) established another new funding formula called the Evidence-Based Model (EBM). Am. Sub. HB 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula, the Bridge Formula, for the 12-13 school year as a new funding formula was developed. The State revised the funding model in June, 2013 and adopted HB 59, the Fiscal Year 14 and Fiscal Year 15 biennium budget which again changed our funding formula, but not our funding.

Given the uncertainty of the school funding formula and the economic conditions within the State, the level at which the State will fund schools in the future remains uncertain. The District remains concerned about the instability of the state economy and the political ramifications of changing the funding formula every two years. We plan carefully and prudently to provide resources to meet the needs of our students but the uncertainty of state funding challenges our planning.

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.net.

Northmont City School District, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities	Component Unit	Total
Assets:			
Equity in Pooled Cash and Investments	\$54,584,562	\$12,532	\$54,597,094
Restricted Cash and Investments	743,419	0	743,419
Receivables (Net):			
Taxes	27,366,063	0	27,366,063
Accounts	287,145	0	287,145
Intergovernmental	13,976,687	0	13,976,687
Due from component unit	21,582	0	21,582
Nondepreciable Capital Assets	45,121,299	0	45,121,299
Depreciable Capital Assets, Net	5,784,153	0	5,784,153
Total Assets	147,884,910	12,532	147,897,442
Liabilities:			
Accounts Payable	1,595,314	0	1,595,314
Accrued Wages and Benefits	5,484,444	0	5,484,444
Contracts Payable	3,263,246	0	3,263,246
Retainage Payable from Restricted Assets	743,419	0	743,419
Accrued Interest Payable	355,277	0	355,277
Matured Compensated Absences	364,113	0	364,113
Claims Payable	41,664	0	41,664
Intergovernmental Payable	0	724	724
Due to Primary Government	0	21,582	21,582
Long-Term Liabilities:			
Due Within One Year	890,761	0	890,761
Due In More Than One Year	56,671,115	0	56,671,115
Total Liabilities	69,409,353	22,306	69,431,659
Deferred Inflows of Resources:			
Property Taxes	25,031,264	0	25,031,264
Revenue in Lieu of Taxes	480,000	0	480,000
Total Deferred Inflows of Resources	25,511,264	0	25,511,264
Net Position:			
Net Investment in Capital Assets	23,021,107	0	23,021,107
Restricted for:			
Classroom Facilities Maintenance	805,649	0	805,649
Student Activity	313,110	0	313,110
Federal Grants	32,048	0	32,048
Special Trust	104,678	0	104,678
Other Purposes	32,025	0	32,025
Debt Service	974,198	0	974,198
Capital Projects	23,254,116	0	23,254,116
Unrestricted	4,427,362	(9,774)	4,417,588
Total Net Position	\$52,964,293	(\$9,774)	\$52,954,519

See accompanying notes to the basic financial statements.

Northmont City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Component Unit	Total
Governmental Activities:						
Instruction:						
Regular	\$24,382,497	\$884,513	\$214,961	(\$23,283,023)	\$0	(\$23,283,023)
Special	8,956,624	34,954	3,617,317	(5,304,353)	0	(5,304,353)
Vocational	225,954	0	36,947	(189,007)	0	(189,007)
Other	21,776	0	248,060	226,284	0	226,284
Support Services:						
Pupil	3,935,130	9,567	42,133	(3,883,430)	0	(3,883,430)
Instructional Staff	518,101	0	62,166	(455,935)	0	(455,935)
General Administration	84,027	0	0	(84,027)	0	(84,027)
School Administration	3,478,177	0	46,770	(3,431,407)	0	(3,431,407)
Fiscal	1,201,418	0	0	(1,201,418)	0	(1,201,418)
Business	444,827	0	0	(444,827)	0	(444,827)
Operations and Maintenance	3,542,669	59,776	0	(3,482,893)	0	(3,482,893)
Pupil Transportation	2,670,722	0	100,155	(2,570,567)	0	(2,570,567)
Central	363,277	0	23,471	(339,806)	0	(339,806)
Operation of Non-Instructional Services	3,524,010	2,213,784	1,288,087	(22,139)	0	(22,139)
Extracurricular Activities	1,108,097	519,451	0	(588,646)	0	(588,646)
Interest and Fiscal Charges	2,120,954	0	0	(2,120,954)	0	(2,120,954)
Total Governmental Activities	56,578,260	3,722,045	5,680,067	(47,176,148)	0	(47,176,148)
Component Unit:						
Northmont Secondary Academy	247,419	0	237,645	0	(9,774)	(9,774)
Total Component Unit	247,419	0	237,645	0	(9,774)	(9,774)
Totals	\$56,825,679	\$3,722,045	\$5,917,712	(47,176,148)	(9,774)	(47,185,922)
General Revenues:						
Property Taxes Levied for:						
General Purposes			25,031,666	0	25,031,666	
Special Revenue Purposes			316,916	0	316,916	
Debt Service Purposes			2,345,194	0	2,345,194	
Capital Projects Purposes			634,040	0	634,040	
Grants and Entitlements, Not Restricted			21,731,471	0	21,731,471	
Revenue in Lieu of Taxes			383,909	0	383,909	
Investment Earnings			8,749	0	8,749	
Other Revenues			359,450	0	359,450	
Total General Revenues			50,811,395	0	50,811,395	
Change in Net Position			3,635,247	(9,774)	3,625,473	
Net Position - Beginning of Year, Restated			49,329,046	0	49,329,046	
Net Position - End of Year			\$52,964,293	(\$9,774)	\$52,954,519	

See accompanying notes to the basic financial statements.

Northmont City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$11,108,570	\$26,915,396	\$16,560,596	\$54,584,562
Restricted Cash and Investments	0	672,794	70,625	743,419
Receivables (Net):				
Taxes	24,177,558	0	3,188,505	27,366,063
Accounts	275,031	0	12,114	287,145
Intergovernmental	363,328	12,852,342	761,017	13,976,687
Interfund	15,000	0	0	15,000
Due from component unit	21,582	0	0	21,582
Total Assets	35,961,069	40,440,532	20,592,857	96,994,458
Liabilities:				
Accounts Payable	1,474,050	0	121,264	1,595,314
Accrued Wages and Benefits	4,943,792	0	540,652	5,484,444
Contracts Payable	0	2,938,316	324,930	3,263,246
Retainage Payable from Restricted Assets	0	672,794	70,625	743,419
Matured Compensated Absences	364,113	0	0	364,113
Interfund Payable	0	0	15,000	15,000
Claims Payable	41,664	0	0	41,664
Total Liabilities	6,823,619	3,611,110	1,072,471	11,507,200
Deferred Inflows of Resources:				
Property Taxes	22,840,360	0	3,009,609	25,849,969
Grants	0	12,852,342	102,458	12,954,800
Revenue in Lieu of Taxes	0	0	480,000	480,000
Unavailable Revenue	126,904	0	0	126,904
Total Deferred Inflows of Resources	22,967,264	12,852,342	3,592,067	39,411,673
Fund Balances:				
Restricted	0	23,977,080	16,071,740	40,048,820
Assigned	4,232,447	0	0	4,232,447
Unassigned	1,937,739	0	(143,421)	1,794,318
Total Fund Balances	6,170,186	23,977,080	15,928,319	46,075,585
Total Liabilities, Deferred Inflows and Fund Balances	\$35,961,069	\$40,440,532	\$20,592,857	\$96,994,458

See accompanying notes to the basic financial statements.

Northmont City School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance \$46,075,585

Amounts reported for governmental activities in the
 Statement of Net Position are different because:

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 50,905,452

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred inflows of resources in the funds.

Delinquent Property Taxes	\$818,705	
Intergovernmental	12,954,800	
Other Receivables	<u>126,904</u>	
		13,900,409

In the Statement of Net Position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (355,277)

Some liabilities reported in the Statement of Net Position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (2,606,412)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds. (54,955,464)

Net Position of Governmental Activities \$52,964,293

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, 2014

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$25,017,312	\$0	\$3,293,819	\$28,311,131
Tuition and Fees	941,262	0	4,675	945,937
Investment Earnings	1,140	4,724	2,885	8,749
Intergovernmental	23,703,910	10,806,386	3,605,170	38,115,466
Extracurricular Activities	196,062	0	325,373	521,435
Charges for Services	233,670	0	1,978,207	2,211,877
Revenue in Lieu of Taxes	0	0	383,909	383,909
Other Revenues	309,174	17,410	92,642	419,226
Total Revenues	50,402,530	10,828,520	9,686,680	70,917,730
Expenditures:				
Current:				
Instruction:				
Regular	23,477,474	0	233,704	23,711,178
Special	7,439,046	0	1,517,571	8,956,617
Vocational	225,954	0	0	225,954
Other	21,776	0	0	21,776
Support Services:				
Pupil	3,897,226	0	40,785	3,938,011
Instructional Staff	513,479	0	0	513,479
General Administration	84,027	0	0	84,027
School Administration	3,381,416	0	46,335	3,427,751
Fiscal	1,155,353	0	43,523	1,198,876
Business	443,610	0	0	443,610
Operations and Maintenance	3,428,431	0	0	3,428,431
Pupil Transportation	2,479,490	0	0	2,479,490
Central	361,103	0	0	361,103
Operation of Non-Instructional Services	253,742	0	3,245,431	3,499,173
Extracurricular Activities	802,017	0	299,078	1,101,095
Capital Outlay	607,247	26,942,546	3,597,477	31,147,270
Debt Service:				
Principal Retirement	123,984	0	360,000	483,984
Interest and Fiscal Charges	8,731	0	2,112,344	2,121,075
Total Expenditures	48,704,106	26,942,546	11,496,248	87,142,900
Excess of Revenues Over (Under) Expenditures	1,698,424	(16,114,026)	(1,809,568)	(16,225,170)
Other Financing Sources (Uses):				
Transfers In	0	0	2,311	2,311
Transfers (Out)	(2,311)	0	0	(2,311)
Total Other Financing Sources (Uses)	(2,311)	0	2,311	0
Net Change in Fund Balance	1,696,113	(16,114,026)	(1,807,257)	(16,225,170)
Fund Balance - Beginning of Year	4,474,073	40,091,106	17,735,576	62,300,755
Fund Balance - End of Year	\$6,170,186	\$23,977,080	\$15,928,319	\$46,075,585

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, 2014

Net Change in Fund Balance - Total Governmental Funds (\$16,225,170)

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	\$30,951,923	
Depreciation Expense	(605,710)	
		30,346,213

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. (799)

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

Delinquent Property Taxes	\$16,685	
Intergovernmental	(10,703,928)	
Other	(16,980)	
		(10,704,223)

Repayment of bond and capital lease principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 483,984

In the Statement of Activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. 2,921

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	(\$264,879)	
Amortization of Bond Premium	23,591	
Bond Accretion	(26,391)	
		(267,679)

Change in Net Position of Governmental Activities \$3,635,247

See accompanying notes to the basic financial statements.

Northmont City School District, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2014

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$69,002</u>
Total Assets	<u>69,002</u>
Liabilities:	
Due to Students	<u>69,002</u>
Total Liabilities	<u>\$69,002</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, 2014

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 306 non-certificated employees, 381 certificated employees, including 24 administrative employees who provide services to 5,448 students and other community members. The District currently operates eight instructional buildings, one administrative building, and one service center.

Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has one component unit. The basic financial statements of the reporting entity include those of the District (the primary government) and those of Northmont Secondary Academy (component unit).

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

Discretely Presented Component Unit

Northmont Secondary Academy (Academy) The Academy is a legally separate, conversion community school, serviced by a Board of Directors. The Academy focuses on serving students at risk of or already in therapeutic residential placement and provides an alternative to the traditional educational setting. The Academy was organized under Ohio Revised Code Chapter 3314 and the District is the sponsor. The

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Academy was founded utilizing existing programs within the existing structure of the District. The employees of the Academy remain part of the collective bargaining unit of the District. Based on the significant services provided by the District to the Academy and the Academy's purpose of serving the students within the District, the Academy is reflected as a component unit of the District. The Academy is reported separately to emphasize that it is legally separate from the District. The Academy paid the District \$221,406 for contract services provided by the District during fiscal year 2014. Separately issued financial statements for the Academy can be obtained from Jenna Whitton-Meyer, Assistant Treasurer at Northmont City School District, 4001 Old Salem Road, Englewood, Ohio 45322.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit can be found in Note 22 to these basic financial statements.

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.

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 pool is the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust. This organization is 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 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 position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. 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.

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, deferred inflows of resources, current liabilities and deferred outflows of resources 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 reconciliations 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 deferred inflows of resources compared to liabilities and deferred outflows of resources is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 inflows, 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.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources for the District only include a deferred charge on the refunding on its bonds. The District had none at June 30, 2014.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants, revenue in lieu of taxes (which includes tax incremental financing 'TIF'), and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and unavailable revenue are recorded as deferred inflows only on the governmental fund financial statements.

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 2014. 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, 2014.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2014 amounted to \$1,140 in the general fund, \$4,724 in the classroom facilities and \$2,885 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 and construction in progress. 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, 2014

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	20-25 days per year	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>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</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	264 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 Position

Net position represents the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets, 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 position 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$25,515,824 in restricted net position, none was restricted by enabling legislation.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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 position.

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 Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government through an affirmative vote of its highest level (resolution) of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer as documented by policies and procedures adopted by the Board of Education.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts, which had been restricted, committed or assigned for said purposes.

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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

Restricted Assets

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

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:

- (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.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- (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.

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, 2014, \$19,886,781 of the District's bank balance of \$20,908,156 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Investments

As of June 30, 2014, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money Market Funds	\$24,147,047	0.00
Repurchase Agreement	13,299,883	0.00
STAROhio	1,446,884	0.14
Total Fair Value	\$38,893,814	
Portfolio Weighted Average Maturity		0.01

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. Money Market Funds were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities, however the District has none for the current fiscal year. The District has invested in Money Market Funds, Repurchase Agreements and STAROhio for 2014. Money Market Funds, Repurchase Agreements and STAROhio comprise 62%, 34% and 4% of the District’s investment portfolio, respectively.

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

County by June 30, 2014, are available to finance fiscal year 2015 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility tangible personal property taxes that became measurable as of June 30, 2014. 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, 2014 was \$1,337,198 for the General Fund and \$178,896 for Other Governmental Funds and is recognized as revenue in the Governmental Funds.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$631,028,000
Public Utility	<u>12,816,000</u>
Total	<u><u>\$643,844,000</u></u>

Note 5 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts, and intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,398,657	\$0	\$0	\$1,398,657
Construction in Progress	13,481,087	30,241,555	0	43,722,642
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	19,228,607	489,378	0	19,717,985
Furniture, Fixtures and Equipment	4,230,349	181,510	21,265	4,390,594
Vehicles	3,935,064	39,480	24,790	3,949,754
Infrastructure	156,031	0	0	156,031
Totals at Historical Cost	<u>42,429,795</u>	<u>30,951,923</u>	<u>46,055</u>	<u>73,335,663</u>
Less Accumulated Depreciation:				
Buildings and Improvements	15,317,280	289,864	0	15,607,144
Furniture, Fixtures and Equipment	3,468,761	124,387	20,466	3,572,682
Vehicles	3,074,147	188,338	24,790	3,237,695
Infrastructure	9,569	3,121	0	12,690
Total Accumulated Depreciation	<u>21,869,757</u>	<u>605,710</u>	<u>45,256</u>	<u>22,430,211</u>
Governmental Activities Capital Assets, Net	<u>\$20,560,038</u>	<u>\$30,346,213</u>	<u>\$799</u>	<u>\$50,905,452</u>

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

Instruction:	
Regular	\$343,625
Special	39,117
Support Services:	
Pupil	1,168
Instructional Staff	1,421
School Administration	17,158
Business	111
Operations and Maintenance	25,062
Pupil Transportation	140,212
Operation of Non-Instructional Services	30,834
Extracurricular Activities	7,002
Total Depreciation Expense	<u>\$605,710</u>

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 - Long-Term Liabilities

Governmental Activities:	Maturity Date	Interest Rate	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
2012A Bonds:							
Current Interest Bonds	11/1/2049	2.00-5.00%	\$44,715,000	\$0	\$260,000	\$44,455,000	\$265,000
Capital Appreciation Bonds			121,703	0	0	121,703	0
Accretion of Interest			26,343	26,391	0	52,734	0
2012B Current Interest Bonds	11/1/2035	1.00-4.00%	9,510,000	0	100,000	9,410,000	100,000
Premium on Bonds			768,975	0	23,591	745,384	0
Total Bonds			55,142,021	26,391	383,591	54,784,821	365,000
Capital Leases			294,627	0	123,984	170,643	84,024
Total Long Term Debt			55,436,648	26,391	507,575	54,955,464	449,024
Compensated Absences			2,341,533	650,832	385,953	2,606,412	441,737
Total Governmental Activities Long-Term Liabilities			<u>\$57,778,181</u>	<u>\$677,223</u>	<u>\$893,528</u>	<u>\$57,561,876</u>	<u>\$890,761</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. All long term bond payments will be made out of the debt service fund.

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

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

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

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$365,000	\$2,105,594	\$2,470,594	\$0	\$0	\$0
2016	420,000	2,099,044	2,519,044	0	0	0
2017	430,000	2,092,669	2,522,669	0	0	0
2018	435,000	2,086,182	2,521,182	0	0	0
2019	520,000	2,077,970	2,597,970	0	0	0
2020-2024	2,570,000	10,234,297	12,804,297	121,703	308,297	430,000
2025-2029	4,470,000	9,663,227	14,133,227	0	0	0
2030-2034	6,250,000	8,819,941	15,069,941	0	0	0
2035-2039	8,390,000	7,434,125	15,824,125	0	0	0
2040-2044	11,355,000	5,488,858	16,843,858	0	0	0
2045-2049	15,080,000	2,756,043	17,836,043	0	0	0
2050	3,580,000	89,500	3,669,500	0	0	0
	<u>\$53,865,000</u>	<u>\$54,947,450</u>	<u>\$108,812,450</u>	<u>\$121,703</u>	<u>\$308,297</u>	<u>\$430,000</u>

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 – Leases

Capital Leases

The District has one lease for school busses.

The District’s leases meet the criteria of capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the general fund and other governmental funds.

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.

<u>Fiscal Year Ending June 30,</u>	<u>Long-Term Debt</u>
2015	\$89,295
2016	<u>89,295</u>
Total Payments	178,590
Less: Interest	<u>(7,947)</u>
Present Value of Minimum Lease Payments	<u><u>\$170,643</u></u>

Capital assets acquired under capital leases are as follows:

Vehicles	\$341,440
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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*.

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, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% 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,

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2014, 2013, and 2012 were \$1,199,457, \$1,141,651, and \$1,138,749, respectively; 92% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

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.

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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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 11% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$3,338,412, \$3,240,540, and \$3,340,932, respectively; 84% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; 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 2014, the actuarially required allocation was 0.76%. District contributions for the year ended June 30, 2014, 2013 and 2012 were \$65,113, \$60,344, and \$61,818 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, 2014, the health care allocation was 0.14%. 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 2014, the minimum compensation level was established at \$20,250. 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, 2014, 2013, and 2012 were \$132,746, \$133,798 and \$220,576, respectively; 92% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

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, 2014

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, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$238,458, \$231,467, and \$238,638, respectively; 84% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 11 - Other Employee Benefits

Insurance Benefits

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

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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014, the District had 5 employees who had chosen to accept the retirement incentive. The liability at June 30, 2014, for those 5 employees of \$98,000 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 received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

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.

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 2014, the District paid MDECA \$100,897 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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2014, the Northmont City District paid \$216,461 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, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nomination committee selects individuals to run. One at-large non-public representative is elected by the nonpublic school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2014, the District paid \$4,239 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.

Note 14 - Insurance Purchasing Pools

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 2014, the District contracted with Southwestern Ohio Educational Purchasing Cooperative for property insurance, fleet insurance and for liability insurance coverage.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Coverages provided by the above companies are as follows:

Cyber Theft Insurance	\$9,000,000
Building and Contents - replacement cost (\$1,000 deductible)	300,000,000
Boiler and Machinery (\$2,500 deductible)	50,000,000
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.

Beginning in January, 2013, the District began to self-insure its workers' compensation costs. The District contracts with Hunter Consultants for the service. Expenses for claims are recorded on the current basis based on an actuarially determined charge per employee. The District accounts for the activities of this program within the General fund in accordance with GASB Statement No. 10. A summary of the changes in self-insurance workers' compensation claims liability is as follows:

	Balance at <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance at <u>End of Year</u>
2014	\$21,591	\$164,631	\$144,558	\$41,664
2013	0	69,483	47,892	21,591

Note 16 – Accountability

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

Other Governmental Funds:	
Title VI-B	\$58,073
Title I	76,598
Title VI-R	8,750

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 - Set-Asides Requirement

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition 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.

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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	906,677
Qualified Disbursements	<u>(2,206,000)</u>
Total	<u><u>(\$1,299,323)</u></u>
Set-Aside Reserve Balance as of June 30, 2014	<u><u>\$0</u></u>

Qualified disbursements for capital activity during the year exceeded the amount required for the set-aside. However, excess cannot be carried forward to offset future year's requirements.

Note 18 - Interfund Transactions

Interfund transactions at June 30, 2014, consisted of the following interfund receivables and payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$15,000	\$0	\$0	\$2,311
Other Governmental Funds	<u>0</u>	<u>15,000</u>	<u>2,311</u>	<u>0</u>
Total All Funds	<u><u>\$15,000</u></u>	<u><u>\$15,000</u></u>	<u><u>\$2,311</u></u>	<u><u>\$2,311</u></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.

Note 19 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Fund Balances	General	Classroom Facilities	Other Governmental Funds	Total
Restricted for:				
Classroom Facilities Maintenance	\$0	\$0	\$805,649	\$805,649
Student Activity	0	0	313,110	313,110
Auxiliary Services	0	0	19,311	19,311
Special Trust	0	0	104,678	104,678
Race to the Top	0	0	36	36
Title III	0	0	5,135	5,135
IDEA Preschool	0	0	1,017	1,017
Food Service	0	0	150,052	150,052
Debt Service	0	0	1,298,029	1,298,029
Permanent Improvement	0	0	4,145,031	4,145,031
Building	0	0	9,229,692	9,229,692
Classroom Facilities	0	23,977,080	0	23,977,080
Total Restricted	0	23,977,080	16,071,740	40,048,820
Assigned to:				
Encumbrances	927,942	0	0	927,942
Public School Support	576,105	0	0	576,105
Budgetary Resource	2,728,400	0	0	2,728,400
Total Assigned	4,232,447	0	0	4,232,447
Unassigned (Deficit)	1,937,739	0	(143,421)	1,794,318
Total Fund Balance	\$6,170,186	\$23,977,080	\$15,928,319	\$46,075,585

Note 20 – Construction and Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

<u>Description</u>	<u>Remaining Commitment</u>
General	\$927,942
Capital Construction Projects	36,090,491
Other Governmental	123,561

Note 21 – Change in Accounting Principles and Related Restatement

The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period's net position as follows:

	Governmental Activities
Net Position - June 30, 2013	\$49,935,455
Prior Period Adjustment:	
Bond Issuance Costs	(606,409)
Restated Net Position - June 30, 2013	<u>\$49,329,046</u>

Note 22 – Northmont Secondary Academy

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

Significant Accounting Policies

Basis of Presentation - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

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

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

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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

Net Position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

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

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

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

Deposits

At June 30, 2014, the carrying amount of all Academy deposits was \$12,534. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, none of the Academy's bank balance of \$12,534 was exposed to custodial risk.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

Contract Services

For fiscal year ended June 30, 2014, contract services expenses through Northmont City School District were as follows:

Purchased Instructional Services	\$221,406
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The above transactions are related party transactions since these services are purchased through the Sponsor, Northmont City School District.

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

Contingencies

Litigation

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

Northmont City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

Service Contract

The Northmont City School District and the Academy has entered into a service contract agreement. This agreement states that the Academy will contract for educational services from the Northmont City School District Board of Education and reimburse the Board of Education for these services. The Northmont City School District agreed to provide the requested services and receive reimbursement for the Academy pursuant to Ohio Revised Code Section 3317.11 as follows:

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

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

Related Party Transaction

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

In fiscal year 2014, payments were made by the Academy to the Sponsor totaling \$221,406. These represent payments for reimbursements for services provided by the Sponsor to the Academy. Total amount due back to the District from the Academy is \$21,582.

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, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$24,502,773	\$24,628,362	\$24,628,361	(\$1)
Tuition and Fees	875,275	879,761	879,761	0
Investment Earnings	1,134	1,140	1,140	0
Intergovernmental	23,412,475	23,532,476	23,532,475	(1)
Charges for Services	18,531	18,626	18,626	0
Other Revenues	130,889	131,560	131,560	0
Total Revenues	<u>48,941,077</u>	<u>49,191,925</u>	<u>49,191,923</u>	<u>(2)</u>
Expenditures:				
Current:				
Instruction:				
Regular	25,407,077	25,407,077	23,943,941	1,463,136
Special	8,669,760	8,669,760	8,170,488	499,272
Vocational	248,810	248,810	234,482	14,328
Other	34,206	34,206	32,236	1,970
Support Services:				
Pupil	4,195,648	4,195,648	3,954,030	241,618
Instructional Staff	549,663	549,663	518,009	31,654
General Administration	155,316	155,316	146,372	8,944
School Administration	3,742,027	3,742,027	3,526,532	215,495
Fiscal	1,249,744	1,249,744	1,177,774	71,970
Business	481,635	481,635	453,899	27,736
Operations and Maintenance	4,021,076	4,021,076	3,789,511	231,565
Pupil Transportation	2,732,619	2,732,619	2,575,254	157,365
Central	396,785	396,785	373,935	22,850
Extracurricular Activities	631,084	631,084	594,741	36,343
Capital Outlay	1,034,742	1,034,742	975,154	59,588
Debt Service:				
Principal Retirement	131,560	131,560	123,984	7,576
Interest and Fiscal Charges	9,265	9,265	8,731	534
Total Expenditures	<u>53,691,017</u>	<u>53,691,017</u>	<u>50,599,073</u>	<u>3,091,944</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,749,940)</u>	<u>(4,499,092)</u>	<u>(1,407,150)</u>	<u>3,091,942</u>
Other Financing Sources (Uses):				
Advances In	14,924	15,000	15,000	0
Advances (Out)	(15,917)	(15,917)	(15,000)	917
Transfers (Out)	(2,452)	(2,452)	(2,311)	141
Total Other Financing Sources (Uses)	<u>(3,445)</u>	<u>(3,369)</u>	<u>(2,311)</u>	<u>1,058</u>
Net Change in Fund Balance	(4,753,385)	(4,502,461)	(1,409,461)	3,093,000
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>9,263,177</u>	<u>9,263,177</u>	<u>9,263,177</u>	<u>0</u>
Fund Balance End of Year	<u>\$4,509,792</u>	<u>\$4,760,716</u>	<u>\$7,853,716</u>	<u>\$3,093,000</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, 2014

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 the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the 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 2014.

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 the 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 an assignment 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, 2014

5. Some funds are reported as part of the general fund (GAAP basis as opposed to the general fund being reported alone (budget basis)).

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	\$1,696,113
Revenue Accruals	(1,210,627)
Expenditure Accruals	493,292
Advances In	15,000
Advances (Out)	(15,000)
Encumbrances	(2,397,944)
Funds Budgeted Elsewhere	<u>9,705</u>
Budget Basis	<u><u>(\$1,409,461)</u></u>

Northmont City School District
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Year</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	2014	\$ 184,929	\$ 184,929
Cash Assistance:				
National School Breakfast Program	10.553	2014	186,578	186,578
National School Lunch Program	10.555	2014	<u>988,005</u>	<u>988,005</u>
Total Nutrition Cluster			<u>1,359,512</u>	<u>1,359,512</u>
Total U.S. Department of Agriculture			<u>1,359,512</u>	<u>1,359,512</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	2013	128,827	125,439
		2014	<u>777,700</u>	<u>776,044</u>
Total Special Education Grants to States			906,527	901,483
Special Education - Preschool Grants	84.173	2013	-	908
		2014	<u>4,149</u>	<u>38</u>
			4,149	946
Total Special Education Cluster			910,676	902,429
Title I, Part A Grants to Local Education Agencies	84.010	2013	113,233	111,681
		2014	<u>556,631</u>	<u>556,092</u>
Total Title I, Part A Grants to Local Education Agencies			669,864	667,773
Title III Immigrant Grants	84.365	2013	3,000	3,505
		2014	<u>20,516</u>	<u>18,748</u>
Total Title III Immigrant Grants			23,516	22,253
Improving Teacher Quality State Grants	84.367	2013	14,642	17,328
		2014	<u>99,300</u>	<u>99,006</u>
Total Improving Teacher Quality State Grants			113,942	116,334
Race to the Top - ARRA	84.395	2013	-	5,407
		2014	80,343	80,304
Ohio Resident Educator Program - subprogram		2014	<u>5,250</u>	<u>5,250</u>
Total Race to the Top - ARRA			<u>85,593</u>	<u>90,961</u>
Total U.S. Department of Education			<u>1,803,591</u>	<u>1,799,750</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 3,163,103</u>	<u>\$ 3,159,262</u>

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

1. Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards (the schedule) is a summary of 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, 2014 the District had no significant food commodities in inventory.

3. Matching Requirements:

Certain federal programs require the School District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule of Expenditures of Federal Awards.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Northmont City School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 27, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express 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*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
February 27, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Northmont City School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
February 27, 2015

Northmont City School District
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2014

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
<i>Special Education Cluster:</i>	
CFDA 84.027 – Special Education Grants to States	
CFDA 84.173 – Special Education – Preschool Grants	
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

Finding 2014-001: Audit Adjustments

Auditing standards generally accepted in the United States of America require communication of audit adjustment unless clearly inconsequential to the GAAP financial statements. During the fiscal year 2014 audit, certain adjustments were proposed and subsequently posted by the District, to adjust the taxes receivable amount recorded for the adjustment of delinquent property taxes and property taxes available for advance as provided by the Montgomery County Auditor. It should be noted that we did not identify any auditing issues associated with the actual cash received by the District associated with the property tax collections.

Since the District contracts with an independent accountant to assist in the preparation of its annual financial statements, we recommend the District discuss the adjustments noted during the audit and what process changes could be made to ensure future adjustments are not necessary.

Management Response: The District contracts with an independent accountant to assist in preparation of our GAAP financial statements. We are in agreement with the adjustment proposed for the delinquent property taxes and taxes available for advance and it was posted to the financial statements. The actual cash received by the District for property taxes collected was recorded properly throughout the year.

Section III – Federal Awards Findings and Questioned Costs

None Noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

None Noted



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.

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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
MAY 12, 2015**