

Dave Yost • Auditor of State

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

North College Hill City School District
Hamilton County
1731 Goodman Avenue
Cincinnati, Ohio 45239
To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North College Hill City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North College Hill City School District, Hamilton County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

June 6, 2016

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**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

The discussion and analysis of North College Hill City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased \$806,381 which represents a 15% increase from 2014.
- General revenues accounted for \$13,161,781 in revenue or 74% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,529,884 or 26% of total revenues of \$17,691,665.
- The District had \$16,885,284 in expenses related to governmental activities; \$4,529,884 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,161,781 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 *Government-wide Financial Statements* 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 Debt Service 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 2015?" The Government-wide Financial Statements answer this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

These two statements report the District's net position and changes in net 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 as Governmental Activities – All of the District's programs and services are reported as Governmental Activities including instruction, support services, operation of noninstructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds are 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

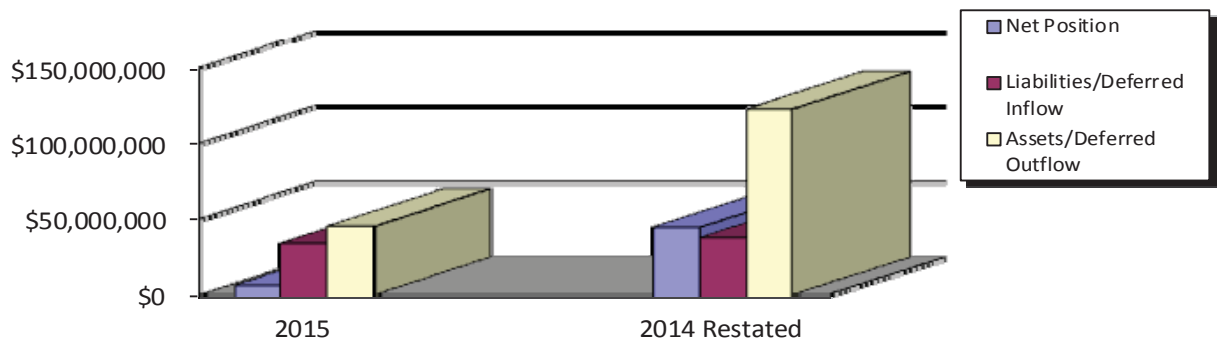
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

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**North College Hill City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Table 1
Net Position**

| | Governmental Activities | |
|---|-------------------------|--------------------|
| | 2015 | 2014 Restated |
| Assets: | | |
| Current and Other Assets | \$9,594,688 | \$8,163,406 |
| Capital Assets | 35,509,323 | 36,320,796 |
| Total Assets | 45,104,011 | 44,484,202 |
| Deferred Outflows of Resources: | | |
| Pension | 1,297,877 | 1,110,978 |
| Total Deferred Outflows of Resources | 1,297,877 | 1,110,978 |
| Liabilities: | | |
| Other Liabilities | 1,410,390 | 1,667,261 |
| Long-Term Liabilities | 32,485,295 | 35,996,869 |
| Total Liabilities | 33,895,685 | 37,664,130 |
| Deferred Inflows of Resources: | | |
| Property Taxes | 3,181,089 | 2,633,605 |
| Pension | 3,221,288 | 0 |
| Total Deferred Inflows of Resources | 6,402,377 | 2,633,605 |
| Net Position: | | |
| Net Investment in Capital Assets | 22,349,802 | 23,038,796 |
| Restricted | 2,477,476 | 2,488,402 |
| Unrestricted | (18,723,452) | (20,229,753) |
| Total Net Position | \$6,103,826 | \$5,297,445 |



During 2015, the District adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension

North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$25,274,098 to \$5,297,445.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$6,103,826.

At year-end, capital assets represented 79% of total assets. Capital assets include land, infrastructure, vehicles, buildings and improvements, furniture and equipment. Net investment in capital assets at June 30, 2015, was \$22,349,802. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,477,476 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.

Total assets increased from the prior year mainly due to an increase in taxes receivable. Long-term liabilities decreased due to the decrease in Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

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**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Table 2
Changes in Net Position**

| | Governmental Activities | |
|---|---------------------------|---------------------------|
| | 2015 | 2014 Restated |
| Revenues: | | |
| Program Revenues | | |
| Charges for Services | \$486,363 | \$410,493 |
| Operating Grants, Contributions | 4,043,521 | 2,220,390 |
| Capital Grants and Contributions | 0 | 29,558 |
| General Revenues: | | |
| Property Taxes | 4,453,924 | 4,760,294 |
| Grants and Entitlements | 8,280,711 | 8,942,703 |
| Investment Earnings | 254,450 | 1,375 |
| Other | 172,696 | 82,791 |
| Total Revenues | <u>17,691,665</u> | <u>16,447,604</u> |
| Program Expenses: | | |
| Instruction | 10,054,750 | 10,697,469 |
| Support Services: | | |
| Pupil and Instructional Staff | 1,723,296 | 1,626,193 |
| School Administrative, General | | |
| Administration, Fiscal and Business | 1,648,894 | 1,435,503 |
| Operations and Maintenance | 1,254,764 | 1,354,596 |
| Pupil Transportation | 205,036 | 215,305 |
| Central | 24,204 | 17,081 |
| Operation of Non-Instructional Services | 981,871 | 1,010,445 |
| Extracurricular Activities | 226,822 | 346,529 |
| Interest and Fiscal Charges | 765,647 | 570,315 |
| Total Program Expenses | <u>16,885,284</u> | <u>17,273,436</u> |
| Change in Net Position | 806,381 | (825,832) |
| Net Position - Beginning of Year | <u>5,297,445</u> | <u>N/A</u> |
| Net Position - End of Year | <u><u>\$6,103,826</u></u> | <u><u>\$5,297,445</u></u> |

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$1,110,978 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$859,661. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

**North College Hill City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

| | |
|---|---------------------------|
| Total 2015 program expenses under GASB 68 | \$16,885,284 |
| Program expenses under GASB 68 | (859,661) |
| 2015 contractually required contributions | <u>1,130,051</u> |
| Adjusted 2015 program expenses | 17,155,674 |
| Total 2014 program expenses under GASB 27 | <u>17,273,436</u> |
| Decrease in program expenses not related to pension | <u><u>(\$117,762)</u></u> |

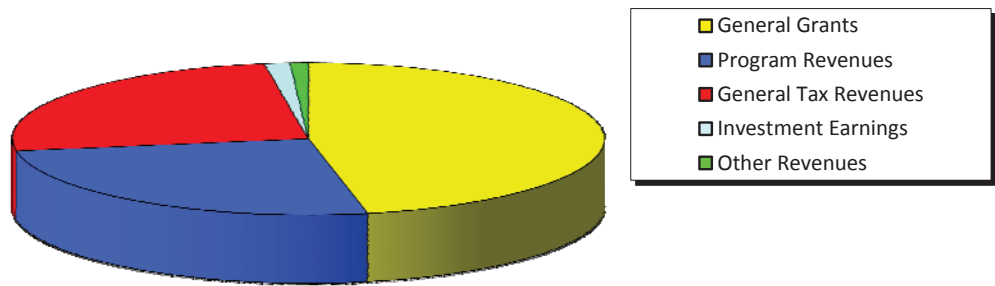
The District revenues are mainly from three sources. Property taxes levied for general, special revenue, debt service and capital projects purposes, grants and entitlements, and charges for services and operating grants and contributions comprised 98% of the District’s revenues for governmental activities.

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 25% of revenue for governmental activities for the District in fiscal year 2015.

**Governmental Activities
Revenue Sources**

| | <u>2015</u> | <u>Percentage</u> |
|-----------------------|----------------------------|-----------------------|
| General Grants | \$8,280,711 | 46.80% |
| Program Revenues | 4,529,884 | 25.60% |
| General Tax Revenues | 4,453,924 | 25.20% |
| Investment Earnings | 254,450 | 1.40% |
| Other Revenues | <u>172,696</u> | <u>1.00%</u> |
| Total Revenue Sources | <u><u>\$17,691,665</u></u> | <u><u>100.00%</u></u> |



**North College Hill City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

Instruction comprises 60% of governmental program expenses. Support services expenses were 29% of governmental program expenses. All other expenses including interest expense were 11%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Program revenues increased from the prior year due to an increase in operation grants and contributions (Federal grant monies received). Total expenses decreased due to the District's continued effort to cut costs.

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. These services are mainly supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---|------------------------|---------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Instruction | \$10,054,750 | \$10,697,469 | (\$7,134,599) | (\$9,443,049) |
| Support Services: | | | | |
| Pupil and Instructional Staff | 1,723,296 | 1,626,193 | (1,247,043) | (1,363,222) |
| School Administrative, General | | | | |
| Administration, Fiscal and Business | 1,648,894 | 1,435,503 | (1,644,464) | (1,380,497) |
| Operations and Maintenance | 1,254,764 | 1,354,596 | (1,245,655) | (1,349,566) |
| Pupil Transportation | 205,036 | 215,305 | (153,210) | (158,972) |
| Central | 24,204 | 17,081 | (18,804) | (11,681) |
| Operation of Non-Instructional Services | 981,871 | 1,010,445 | 29,053 | (42,431) |
| Extracurricular Activities | 226,822 | 346,529 | (175,031) | (293,262) |
| Interest and Fiscal Charges | 765,647 | 570,315 | (765,647) | (570,315) |
| Total Expenses | <u>\$16,885,284</u> | <u>\$17,273,436</u> | <u>(\$12,355,400)</u> | <u>(\$14,612,995)</u> |

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service. Assets of the General Fund comprised \$6,076,415 (63%). the Debt Service comprised \$1,129,110 (12%) of the total \$9,699,396 governmental funds' assets.

General Fund: Fund balance at June 30, 2015 was \$1,944,072 including \$1,888,387 of unassigned balance. The District had an increase in fund balance of \$1,176,146. The increase in fund balance was due to an increase in intergovernmental revenue.

Debt Service Fund: Fund balance at June 30, 2015 was \$663,922 with an increase in fund balance of \$3,983. The fund balance remained relatively constant with the prior year.

**North College Hill City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

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.

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, original and final budget basis revenue was \$13,704,644, while the actual revenue had a difference of \$319,077 from the final budget basis revenues due to conservative estimates for taxes, and intergovernmental revenue.

The District’s unobligated cash balance for the General Fund was \$1,585,282.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$35,509,323 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

**Table 4
Capital Assets at Year End
(Net of Depreciation)**

| | Governmental Activities | |
|----------------------------|-------------------------|---------------------|
| | 2015 | 2014 |
| Land | \$84,688 | \$84,688 |
| Land Improvements | 3,673 | 4,269 |
| Buildings and Improvements | 34,943,735 | 35,822,405 |
| Furniture and Equipment | 476,827 | 404,825 |
| Vehicles | 400 | 4,609 |
| Total Net Capital Assets | <u>\$35,509,323</u> | <u>\$36,320,796</u> |

Total Net Capital Assets decreased in 2015 as compared to 2014 because depreciation expense was more than current year additions. See Note 8 to the Basic Financial Statements for further details on the District’s capital assets.

Debt

At June 30, 2015, the District had \$13,412,720 in debt outstanding, \$365,000 due within one year. Table 5 summarizes total debt outstanding.

**North College Hill City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Table 5
Outstanding Debt at Year End**

| | <u>2015</u> | <u>2014</u> |
|---|--------------------------|--------------------------|
| General Obligation Bonds Payable: | | |
| 2008 School Improvement Bonds | \$8,230,000 | \$8,435,000 |
| 2008 Capital Appreciation Bonds | 90,000 | 90,000 |
| Accreted Interest on Capital Appreciation Bonds | 216,779 | 168,492 |
| Premium on Bonds Issued | 177,621 | 186,502 |
| 2010 School Improvement Bonds | 1,130,000 | 1,175,000 |
| 2010 Capital Appreciation Bonds | 50,000 | 50,000 |
| Accreted Interest on Capital Appreciation Bonds | 36,420 | 26,264 |
| Premium on Bond Issued | 30,900 | 32,445 |
| 2008 Certificate of Participation Bonds | <u>3,451,000</u> | <u>3,532,000</u> |
| Total Outstanding Debt at Year End | <u><u>13,412,720</u></u> | <u><u>13,695,703</u></u> |

See Note 9 to the Basic Financial Statements for further details on the District’s obligations.

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 Kevin Hawley, Treasurer of North College Hill City School District, 1731 Goodman Avenue, Cincinnati, Ohio 45239.

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North College Hill City School District
Statement of Net Position
June 30, 2015

| | Governmental Activities |
|--|----------------------------|
| Assets: | |
| Equity in Pooled Cash and Investments | \$3,690,043 |
| Receivables (Net): | |
| Taxes | 5,577,476 |
| Intergovernmental | 322,673 |
| Inventory | 4,496 |
| Nondepreciable Capital Assets | 84,688 |
| Depreciable Capital Assets, Net | <u>35,424,635</u> |
| Total Assets | <u>45,104,011</u> |
| Deferred Outflows of Resources: | |
| Pension | <u>1,297,877</u> |
| Total Deferred Outflows of Resources | <u>1,297,877</u> |
| Liabilities: | |
| Accounts Payable | 16,493 |
| Accrued Wages and Benefits | 1,190,346 |
| Accrued Interest Payable | 203,551 |
| Long-Term Liabilities: | |
| Due Within One Year | 632,587 |
| Due In More Than One Year | |
| Net Pension Liability | 17,782,852 |
| Other Amounts | <u>14,069,856</u> |
| Total Liabilities | <u>33,895,685</u> |
| Deferred Inflows of Resources: | |
| Property Taxes | 3,181,089 |
| Pension | <u>3,221,288</u> |
| Total Deferred Inflows of Resources | <u>6,402,377</u> |
| Net Position: | |
| Net Investment in Capital Assets | 22,349,802 |
| Restricted for: | |
| Debt Service | 537,222 |
| Capital Projects | 1,234,749 |
| Classroom Facilities Maintenance | 163,133 |
| Food Service | 429,612 |
| Federal Grants | 36,263 |
| Other Purposes | 76,497 |
| Unrestricted | <u>(18,723,452)</u> |
| Total Net Position | <u>\$6,103,826</u> |

See accompanying notes to the basic financial statements.

North College Hill City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

| | Expenses | Program Revenues | | Net (Expense) Revenue |
|---|---------------------|--------------------------------|------------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | and Changes in Net Position Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$6,634,973 | \$323,376 | \$148,561 | (\$6,163,036) |
| Special | 3,325,246 | 42,977 | 2,391,158 | (891,111) |
| Vocational | 67,797 | 0 | 14,079 | (53,718) |
| Other | 26,734 | 0 | 0 | (26,734) |
| Support Services: | | | | |
| Pupil | 1,037,865 | 0 | 210,707 | (827,158) |
| Instructional Staff | 685,431 | 0 | 265,546 | (419,885) |
| General Administration | 60,994 | 0 | 0 | (60,994) |
| School Administration | 1,264,736 | 0 | 4,430 | (1,260,306) |
| Fiscal | 310,228 | 0 | 0 | (310,228) |
| Business | 12,936 | 0 | 0 | (12,936) |
| Operations and Maintenance | 1,254,764 | 2,514 | 6,595 | (1,245,655) |
| Pupil Transportation | 205,036 | 528 | 51,298 | (153,210) |
| Central | 24,204 | 0 | 5,400 | (18,804) |
| Operation of Non-Instructional Services | 981,871 | 65,177 | 945,747 | 29,053 |
| Extracurricular Activities | 226,822 | 51,791 | 0 | (175,031) |
| Interest and Fiscal Charges | 765,647 | 0 | 0 | (765,647) |
| Total Governmental Activities | \$16,885,284 | \$486,363 | \$4,043,521 | (12,355,400) |

General Revenues:

Property Taxes Levied for:

| | |
|---|-----------|
| General Purposes | 3,514,011 |
| Special Revenue Purposes | 40,626 |
| Debt Service Purposes | 560,390 |
| Capital Projects Purposes | 338,897 |
| Grants and Entitlements, Not Restricted | 8,280,711 |
| Unrestricted Contributions | 17,109 |
| Investment Earnings | 254,450 |
| Other Revenues | 155,587 |

Total General Revenues 13,161,781

Change in Net Position 806,381

Net Position - Beginning of Year, Restated 5,297,445

Net Position - End of Year \$6,103,826

See accompanying notes to the basic financial statements.

North College Hill City School District
Balance Sheet
Governmental Funds
June 30, 2015

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------|--------------------------------|--------------------------------|
| Assets: | | | | |
| Equity in Pooled Cash and Investments | \$1,560,762 | \$433,922 | \$1,695,359 | \$3,690,043 |
| Receivables (Net): | | | | |
| Taxes | 4,410,945 | 695,188 | 471,343 | 5,577,476 |
| Intergovernmental | 0 | 0 | 322,673 | 322,673 |
| Interfund | 104,708 | 0 | 0 | 104,708 |
| Inventory | 0 | 0 | 4,496 | 4,496 |
| Total Assets | 6,076,415 | 1,129,110 | 2,493,871 | 9,699,396 |
| Liabilities: | | | | |
| Accounts Payable | 15,741 | 0 | 752 | 16,493 |
| Accrued Wages and Benefits | 1,080,747 | 0 | 109,599 | 1,190,346 |
| Compensated Absences | 84,910 | 0 | 17,463 | 102,373 |
| Interfund Payable | 0 | 0 | 104,708 | 104,708 |
| Total Liabilities | 1,181,398 | 0 | 232,522 | 1,413,920 |
| Deferred Inflows of Resources: | | | | |
| Property Taxes | 2,950,945 | 465,188 | 316,343 | 3,732,476 |
| Grants and Other Taxes | 0 | 0 | 322,673 | 322,673 |
| Total Deferred Inflows of Resources | 2,950,945 | 465,188 | 639,016 | 4,055,149 |
| Fund Balances: | | | | |
| Restricted | 0 | 663,922 | 1,854,103 | 2,518,025 |
| Assigned | 55,685 | 0 | 0 | 55,685 |
| Unassigned | 1,888,387 | 0 | (231,770) | 1,656,617 |
| Total Fund Balances | 1,944,072 | 663,922 | 1,622,333 | 4,230,327 |
| Total Liabilities, Deferred Inflows and Fund Balances | \$6,076,415 | \$1,129,110 | \$2,493,871 | \$9,699,396 |

See accompanying notes to the basic financial statements.

North College Hill City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2015

| | | |
|--|---------------------|---------------------------|
| Total Governmental Fund Balance | | \$4,230,327 |
| 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 | | 35,509,323 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | |
| Intergovernmental | \$551,387 | |
| Special Assessments | <u>322,673</u> | |
| | | 874,060 |
| 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. | | |
| | | (203,551) |
| 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 | | (1,187,350) |
| Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred outflows of resources related to pensions | \$1,297,877 | |
| Deferred inflows of resources related to pensions | <u>(3,221,288)</u> | |
| | | (1,923,411) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Net Pension Liability | (\$17,782,852) | |
| Other Amounts | <u>(13,412,720)</u> | |
| | | <u>(31,195,572)</u> |
| Net Position of Governmental Activities | | <u><u>\$6,103,826</u></u> |

See accompanying notes to the basic financial statements.

North College Hill City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2015

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Property and Other Taxes | \$3,557,669 | \$567,140 | \$380,867 | \$4,505,676 |
| Tuition and Fees | 366,853 | 0 | 0 | 366,853 |
| Investment Earnings | 2,023 | 0 | 252,427 | 254,450 |
| Intergovernmental | 9,945,972 | 79,958 | 2,281,171 | 12,307,101 |
| Extracurricular Activities | 5,301 | 0 | 46,518 | 51,819 |
| Charges for Services | 0 | 0 | 65,643 | 65,643 |
| Other Revenues | 162,850 | 0 | 10,096 | 172,946 |
| Total Revenues | 14,040,668 | 647,098 | 3,036,722 | 17,724,488 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,751,416 | 0 | 325,371 | 6,076,787 |
| Special | 2,701,755 | 0 | 824,165 | 3,525,920 |
| Vocational | 54,165 | 0 | 0 | 54,165 |
| Other | 27,583 | 0 | 0 | 27,583 |
| Support Services: | | | | |
| Pupil | 934,109 | 0 | 153,143 | 1,087,252 |
| Instructional Staff | 392,757 | 0 | 268,396 | 661,153 |
| General Administration | 61,684 | 0 | 0 | 61,684 |
| School Administration | 1,084,478 | 0 | 5,023 | 1,089,501 |
| Fiscal | 278,893 | 4,726 | 2,969 | 286,588 |
| Business | 12,936 | 0 | 0 | 12,936 |
| Operations and Maintenance | 1,112,505 | 0 | 149,839 | 1,262,344 |
| Pupil Transportation | 211,204 | 0 | 678 | 211,882 |
| Central | 18,105 | 0 | 6,717 | 24,822 |
| Operation of Non-Instructional Services | 2,074 | 0 | 967,585 | 969,659 |
| Extracurricular Activities | 222,658 | 0 | 29,805 | 252,463 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 250,000 | 81,000 | 331,000 |
| Interest and Fiscal Charges | 0 | 388,389 | 164,201 | 552,590 |
| Total Expenditures | 12,866,322 | 643,115 | 2,978,892 | 16,488,329 |
| Excess of Revenues Over (Under) Expenditures | 1,174,346 | 3,983 | 57,830 | 1,236,159 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Capital Assets | 1,800 | 0 | 0 | 1,800 |
| Transfers In | 0 | 0 | 642,852 | 642,852 |
| Transfers (Out) | 0 | 0 | (642,852) | (642,852) |
| Total Other Financing Sources (Uses) | 1,800 | 0 | 0 | 1,800 |
| Net Change in Fund Balance | 1,176,146 | 3,983 | 57,830 | 1,237,959 |
| Fund Balance - Beginning of Year | 767,926 | 659,939 | 1,564,503 | 2,992,368 |
| Fund Balance - End of Year | \$1,944,072 | \$663,922 | \$1,622,333 | \$4,230,327 |

See accompanying notes to the basic financial statements.

North College Hill City School District
 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, 2015

Net Change in Fund Balance - Total Governmental Funds \$1,237,959

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 | \$241,840 | |
| Depreciation Expense | <u>(1,053,313)</u> | (811,473) |

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

| | | |
|---|------------------|---------|
| District pension contributions | \$1,130,051 | |
| Cost of benefits earned net of employee contributions | <u>(859,661)</u> | 270,390 |

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

| | | |
|---------------------------|---------------|----------|
| Delinquent Property Taxes | (\$51,753) | |
| Intergovernmental | <u>17,130</u> | (34,623) |

Repayment of bond and capital lease principal along with accreted interest payments is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 331,000

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. (165,040)

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 | \$26,185 | |
| Amortization of Bond Premium | 10,426 | |
| Bond Accretion | <u>(58,443)</u> | (21,832) |

Change in Net Position of Governmental Activities \$806,381

See accompanying notes to the basic financial statements.

North College Hill City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

| | General Fund | | | |
|--|--------------------|--------------------|--------------------|----------------------------|
| | Original Budget | Final Budget | Actual | Variance from Final Budget |
| Revenues: | | | | |
| Taxes | \$3,486,495 | \$3,486,495 | \$3,567,669 | \$81,174 |
| Tuition and Fees | 337,685 | 337,685 | 345,547 | 7,862 |
| Investment Earnings | 1,976 | 1,976 | 2,022 | 46 |
| Intergovernmental | 9,719,675 | 9,719,675 | 9,945,972 | 226,297 |
| Other Revenues | 158,813 | 158,813 | 162,511 | 3,698 |
| Total Revenues | 13,704,644 | 13,704,644 | 14,023,721 | 319,077 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,669,718 | 5,675,668 | 5,735,338 | (59,670) |
| Special | 2,854,056 | 2,857,051 | 2,887,088 | (30,037) |
| Vocational | 52,963 | 53,019 | 53,576 | (557) |
| Other | 27,267 | 27,296 | 27,583 | (287) |
| Support Services: | | | | |
| Pupil | 955,872 | 956,875 | 966,935 | (10,060) |
| Instructional Staff | 406,666 | 407,093 | 411,373 | (4,280) |
| General Administration | 60,098 | 60,162 | 60,794 | (632) |
| School Administration | 1,073,046 | 1,074,172 | 1,085,465 | (11,293) |
| Fiscal | 299,263 | 299,577 | 302,727 | (3,150) |
| Business | 12,788 | 12,801 | 12,936 | (135) |
| Operations and Maintenance | 1,127,338 | 1,128,521 | 1,140,385 | (11,864) |
| Pupil Transportation | 226,120 | 226,357 | 228,737 | (2,380) |
| Central | 18,516 | 18,535 | 18,730 | (195) |
| Operation of Non-Instructional Services | 2,050 | 2,052 | 2,074 | (22) |
| Extracurricular Activities | 232,600 | 232,844 | 235,292 | (2,448) |
| Total Expenditures | 13,018,361 | 13,032,023 | 13,169,033 | (137,010) |
| Excess of Revenues Over (Under) Expenditures | 686,283 | 672,621 | 854,688 | 182,067 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Capital Assets | 1,759 | 1,759 | 1,800 | 41 |
| Advances In | 1,029 | 1,029 | 1,053 | 24 |
| Transfers (Out) | (2,471) | (2,474) | (2,500) | (26) |
| Total Other Financing Sources (Uses) | 317 | 314 | 353 | 39 |
| Net Change in Fund Balance | 686,600 | 672,935 | 855,041 | 182,106 |
| Fund Balance - Beginning of Year (includes prior year encumbrances appropriated) | 730,241 | 730,241 | 730,241 | 0 |
| Fund Balance - End of Year | \$1,416,841 | \$1,403,176 | \$1,585,282 | \$182,106 |

See accompanying notes to the basic financial statements.

North College Hill City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

| | Private Purpose Trust | Agency |
|---------------------------------------|--------------------------|----------------|
| Assets: | | |
| Equity in Pooled Cash and Investments | <u>\$132,871</u> | <u>\$8,397</u> |
| Total Assets | <u>132,871</u> | <u>8,397</u> |
| Liabilities: | | |
| Other Liabilities | <u>0</u> | <u>8,397</u> |
| Total Liabilities | <u>0</u> | <u>\$8,397</u> |
| Net Position: | | |
| Held in Trust | <u>132,871</u> | |
| Total Net Position | <u>\$132,871</u> | |

See accompanying notes to the basic financial statements.

North College Hill City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

| | Private Purpose Trust |
|----------------------------------|--------------------------|
| Additions: | |
| Donations | \$12,500 |
| Investment Earnings | 42 |
| Total Additions | <u>12,542</u> |
| Deductions: | |
| Scholarships | <u>31,000</u> |
| Total Deductions | <u>31,000</u> |
| Change in Net Position | (18,458) |
| Net Position - Beginning of Year | <u>151,329</u> |
| Net Position - End of Year | <u><u>\$132,871</u></u> |

See accompanying notes to the basic financial statements.

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North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Description Of The School District

The North College Hill City School District (the "District") was chartered by the Ohio State Legislature in 1832 by state laws enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The District employs 52 non-certified and 104 certified (including administrative) full-time and part-time employees to provide services to approximately 1,686 students in grades K through 12 and various community groups. It currently operates one elementary school (grades PK-4), one middle school, (grades 5-8) and one high school (grades 9-12).

Note 2 - Summary Of Significant Accounting Policies

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

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The District consists of all funds, departments, boards, and agencies that are not legally separate from the District. 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, foods service, preschool, 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; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

JOINTLY GOVERNED ORGANIZATIONS

The Hamilton/Clermont Cooperative Association (HCCA):

The District is a participant in the Hamilton/Clermont Cooperative Association (HCCA) which is a computer consortium. HCCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. 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 HCCA consists of the superintendents and/or treasurers of the participating districts. HCCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. HCCA exercises total control over the operations of the coalition including budgeting, appropriating, contracting and designating management. Financial information can be obtained from the HCCA Board of Education, Tom Collins, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

PUBLIC ENTITY RISK POOL

Cincinnati USA Regional Chamber Workers' Compensation Group Retro Plan

The District participates in the Cincinnati USA Regional Chamber Workers' Compensation Group Retro Plan (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows 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 available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest, and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

The nonmajor governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 has two fiduciary funds: a private purpose trust fund used to account for college scholarship programs for students and an agency fund used to account for student managed activity programs.

Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred inflows 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the flow of economic resources measurement focus.

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 and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified 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 of resources, 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. "Measurable" means that the amount of the transaction can be determined, and "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.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, or matching requirements in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, tuition, student fees and grants.

Deferred Outflows 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 Inflows of Resources – 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 and other taxes and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide Statement of Net Position and 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 governmental funds.

Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2015 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2. By no later than January 20, the board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2015.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2015; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Cash and Investments

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

During fiscal year 2015, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, food service fund, and the private purpose trust funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food held for resale.

Capital Assets

Governmental capital assets are those assets that are specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. Improvements are capitalized; however, 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. The District does not possess infrastructure.

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

**North College Hill City School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2015**

| <u>Description</u> | Governmental Activities <u>Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 5 - 20 years |
| Buildings and improvements | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 5 - 10 years |

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” Interfund balances are eliminated in the statement of net position.

Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2015, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with years of service were considered expected to become eligible to retire.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2015, and reduced to the maximum payment allowed by labor contract and/or statute.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees will be paid.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and certificates of participation are recognized as a liability on the fund financial statements when due.

Pensions

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

Fund Balance

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of formal action (resolution) of the District. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between all of the elements in a statement of financial position. The net investment in capital assets component of net position 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 is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Estimates

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

Interfund Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Note 3 - Accountability

Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficits:

| <u>Nonmajor Funds:</u> | <u>Deficits</u> |
|-----------------------------|-------------------|
| Preschool Grant | \$238 |
| Title II-A | 20,737 |
| Alternative Education Grant | 1,544 |
| Miscellaneous State Grants | 500 |
| Title VI-B Grant | 56,369 |
| Title I Grant | 152,382 |
| Total | <u>\$ 231,770</u> |

These funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

Note 4 – Deposits And Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed in the basic financial statements as "Equity in Pooled Cash and Cash Equivalents." Statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance institution as security for repayment, by surety company bonds

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio; or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer’s investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments: As of June 30, 2015, the district had the following investments and maturities:

| | | |
|-----------|-------------------|--|
| | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
| STAR Ohio | \$1,985,143 | 0.15 |

**North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

Interest Rate Risk

The District’s investment policy follows State statute, which requires that an investment mature within five years of the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor’s rated the District’s investment in STAR Ohio AAAM. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that addresses credit risk.

Note 5 - Interfund Transactions

Interfund balances at June 30, 2015 as reported on the fund statements, consist of the following individual interfund loans receivable and payable and transfer in and out:

| | Interfund | | Transfers | |
|---------------------------|------------|-----------|-----------|-----------|
| | Receivable | Payable | In | Out |
| General Fund (Major Fund) | \$104,708 | \$0 | \$0 | \$0 |
| Other Government Funds | 0 | 104,708 | \$642,852 | \$642,852 |
| Total All Funds | \$104,708 | \$104,708 | \$642,852 | \$642,852 |

The District transferred \$265,984 into the permanent improvement fund and \$265,984 into the OSFC Maintenance Fund to close out the OSFC Fund.

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2015 are reported on the Statement of Net Position.

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit of deferred inflows of resources— property taxes.

The amount available as an advance at June 30, 2015 was \$1,460,000 in the general fund, \$230,000 in the debt service fund, and \$155,000 in the permanent improvement fund. This amount has been recorded as revenue.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue has been reported as deferred inflows of resources – unavailable revenue.

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North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The assessed values upon which the fiscal year 2015 taxes were collected are

| | 2015 Amount |
|---|---------------|
| Agricultural/Residential and Other Real Estate | \$112,190,770 |
| Public Utility Personal | 6,920,220 |
| Total Assessed Value | \$119,110,990 |

Note 7 – Receivables

Receivables at June 30, 2015 consisted of property taxes, interfund, and intergovernmental grants. 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. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 8 - Capital Assets

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

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|--------------------|------------|---------------------|
| Governmental Activities | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$84,688 | \$0 | \$0 | \$84,688 |
| Capital Assets, being depreciated: | | | | |
| Land Improvements | 487,353 | 0 | 0 | 487,353 |
| Buildings and Improvements | 39,283,965 | 0 | 0 | 39,283,965 |
| Furniture and Equipment | 1,915,467 | 241,840 | 0 | 2,157,307 |
| Vehicles | 81,844 | 0 | 0 | 81,844 |
| Totals at Historical Cost | <u>41,853,317</u> | <u>241,840</u> | <u>0</u> | <u>42,095,157</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | 483,084 | 596 | 0 | 483,680 |
| Buildings and Improvements | 3,461,560 | 878,670 | 0 | 4,340,230 |
| Furniture and Equipment | 1,510,642 | 169,838 | 0 | 1,680,480 |
| Vehicles | 77,235 | 4,209 | 0 | 81,444 |
| Total Accumulated Depreciation | <u>5,532,521</u> | <u>1,053,313</u> | <u>0</u> | <u>6,585,834</u> |
| Governmental Activities Capital Assets, Net | <u>\$36,320,796</u> | <u>(\$811,473)</u> | <u>\$0</u> | <u>\$35,509,323</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|--------------------|
| Instruction: | |
| Regular | \$988,626 |
| Support Services: | |
| Pupils | 471 |
| Instructional Staff | 14,539 |
| School Administration | 24,091 |
| Fiscal | 963 |
| Operations & Maintenance | 8,494 |
| Operation of Non-Instructional Services | 16,129 |
| Total Depreciation Expense | <u>\$1,053,313</u> |

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**North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

Note 9 - Long-Term Obligations

During the fiscal year 2015, the following changes occurred in governmental activities long-term obligations:

| | Restated Beginning Balance | Additions | Reductions | Ending Balance | Due in One Year |
|---|----------------------------------|-------------------------|---------------------------|----------------------------|-------------------------|
| Governmental Activities: | | | | | |
| <u>Bonds/Notes Payable:</u> | | | | | |
| 2008 School Improvement Bonds | \$8,435,000 | \$0 | \$205,000 | \$8,230,000 | \$235,000 |
| Capital Appreciation Bonds | 90,000 | 0 | 0 | 90,000 | 0 |
| Accreted Interest | 168,492 | 48,287 | 0 | 216,779 | 0 |
| Premium | 186,502 | 0 | 8,881 | 177,621 | 0 |
| 2010 School Improvements Bonds | 1,175,000 | 0 | 45,000 | 1,130,000 | 45,000 |
| Capital Appreciation Bonds | 50,000 | 0 | 0 | 50,000 | 0 |
| Accreted Interest | 26,264 | 10,156 | 0 | 36,420 | 0 |
| Premium | 32,445 | 0 | 1,545 | 30,900 | 0 |
| 2008 Certificate of Participation Bonds | 3,532,000 | 0 | 81,000 | 3,451,000 | 85,000 |
| <u>Net Pension Liability:</u> | | | | | |
| STRS | 17,535,389 | 0 | 2,774,780 | 14,760,609 | 0 |
| SERS | 3,552,242 | 0 | 529,999 | 3,022,243 | 0 |
| Total Net Pension Liability | 21,087,631 | 0 | 3,304,779 | 17,782,852 | 0 |
| Compensated Absences | 1,213,535 | 440,437 | 364,249 | 1,289,723 | 267,587 |
| TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM DEBT | <u>\$35,996,869</u> | <u>\$498,880</u> | <u>\$4,010,454</u> | <u>\$32,485,295</u> | <u>\$632,587</u> |

School Improvement Bonds – In March 2008, North College Hill City School District issued general obligation bonds for construction of new school facilities. The bonds were issued for \$9,500,000 at a variable interest rate and mature December, 2035. Of these bonds, \$90,000 are classified as capital appreciation bonds. The capital appreciation bonds will mature in 2018 and 2019 at \$300,000 and \$305,000 respectively. The \$239,788 premium on the issuance of the bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remainder of 26 years.

The bonds will be retired through the Bond Retirement Fund using tax revenues.

For fiscal year 2015, the capital appreciation bonds were accreted \$48,287.

In December 2010, North College Hill City School District issued general obligation bonds to pay off a previous note that was issued for the construction of new school facilities. The bonds were issued for \$1,325,000 at a variable interest rate and mature December 2035. Of these bonds, \$50,000 are classified as capital appreciation bonds. The capital appreciation bonds will mature in 2018, 2019, and 2020 at \$50,000 each. The \$38,625 premium on the issuance of the bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remainder of 23 years. The bonds will be retired through the Bond Retirement Fund using tax revenues.

For fiscal year 2015, the capital appreciation bonds were accreted \$10,156.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Pursuant to changes that became effective on September 14, 2000, Section 3318.05 of the Ohio Revised Code was amended eliminating the requirement that certain school districts receiving State classroom facilities assistance repay one-half of the required twenty-three year one-half mill levy. From that date forward any school district that had previously been required to make repayment has been directed to cease making the payments to the Ohio School Facilities Commission and to instead deposit one hundred percent of the proceeds in the Classroom Facilities Maintenance Non-major Special Revenue Fund designated by the Auditor of State.

The annual requirements to retire the general obligation debt outstanding at June 30, 2015 are as follows:

| Fiscal Year Ending June 30 | General Obligation Bonds | | | Capital Appreciation Bonds | | |
|-------------------------------|--------------------------|--------------------|---------------------|----------------------------|------------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$280,000 | \$383,733 | \$663,733 | \$0 | \$0 | \$0 |
| 2017 | 295,000 | 374,270 | 669,270 | 0 | 0 | 0 |
| 2018 | 310,000 | 363,546 | 673,546 | 0 | 0 | 0 |
| 2019 | 0 | 352,933 | 352,933 | 60,000 | 290,000 | 350,000 |
| 2020 | 0 | 352,933 | 352,933 | 65,000 | 290,000 | 355,000 |
| 2021-2025 | 2,010,000 | 1,612,357 | 3,622,357 | 15,000 | 35,000 | 50,000 |
| 2026-2030 | 2,580,000 | 1,151,590 | 3,731,590 | 0 | 0 | 0 |
| 2031-2035 | 3,170,000 | 562,271 | 3,732,271 | 0 | 0 | 0 |
| 2036 | 715,000 | 28,500 | 743,500 | 0 | 0 | 0 |
| Total | \$9,360,000 | \$5,182,133 | \$14,542,133 | \$140,000 | \$615,000 | \$755,000 |

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2015:

| Ending June 30 | Total Payment |
|------------------------------------|---------------------|
| 2016 | \$ 238,482 |
| 2017 | 239,545 |
| 2018 | 240,383 |
| 2019 | 240,017 |
| 2020 | 241,428 |
| 2021-2025 | 1,217,994 |
| 2026-2030 | 1,235,080 |
| 2031-2035 | 1,482,843 |
| 2036 | 329,295 |
| Total | 5,465,067 |
| Less: Amount representing interest | (2,014,067) |
| Total Principal Outstanding | \$ 3,451,000 |

The certificate of participation obligation relates to the construction of additions and improvements to the high school and middle school. The District is leasing a portion of the project from the Columbus Port Authority. The Columbus Port Authority has assigned US Bank as trustee. US Bank deposited

**North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

\$3,965,000 in the District's name with the escrow agent for the construction projects in fiscal year 2008. During 2008, the District requested all of the funds previously held by the escrow agent. The District makes semi-annual payments to US Bank. The payments for this debt will be paid from the Permanent Improvement Fund using tax revenues.

Compensated absences will be paid from the fund from which the employee is paid.

Note 10 - Risk Management

Comprehensive

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 2015, the District contracted with Utica National Insurance Group for liability, property, and fleet insurance. Coverages provided by the Utica National Insurance Group are as follows:

| <u>Description</u> | <u>Amount</u> |
|---|---------------|
| Building and Contents | \$41,330,841 |
| Deductible | 2,500 |
| Liability | |
| School Board Errors and Omissions Liability | |
| Each wrongful act limit | 1,000,000 |
| Annual aggregate limit | 2,000,000 |
| Deductible | 2,500 |
| General Liability | |
| Per occurrence combined single limit | 1,000,000 |
| Annual aggregate limit | 3,000,000 |
| Employee Benefits Liability | |
| Each wrongful act limit | 1,000,000 |
| Annual aggregate limit | 3,000,000 |
| Stop Gap | |
| Each accident | 1,000,000 |
| Disease each employee | 1,000,000 |
| Disease policy limit | 1,000,000 |
| Automotive Liability | |
| Liability | |
| Per occurrence combined single limit | 1,000,000 |
| Medical payments limit | 5,000 |
| Uninsured/underinsured motorists coverage | 1,000,000 |
| Auto Physical Damage (actual cash value) | |
| Comprehensive deductible | 500 |
| Collision deductible | 1,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers' Compensation

The District participates in the Cincinnati USA Regional Chamber Workers' Compensation Group Retro Plan (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

Each participant pays its workers' compensation premium to the state based on their individual experience rate. The BWC will evaluate the total performance of the group annually for 3 years beginning one year after the end of the program year. If the group performs well, the BWC will issue a refund. If the group has higher claims cost (after the claims and premium are applied to a formula) than the premium paid, the group participants will receive an assessment (for Sheakley groups, that risk is a 10% assessment over the 3 years). The district receives a percentage of that refund relative to the premium contributed to that group. Participation in the GRP is limited to entities that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control and actuarial services to the GRP. Each fiscal year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$281,831 for fiscal year 2015. Of this amount \$17,330 is reported as accrued wages and benefits.

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$848,220 for fiscal year 2015. Of this amount \$129,348 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$3,022,243 | \$14,760,609 | \$17,782,852 |
| Proportion of the Net Pension Liability | 0.05971700% | 0.06068466% | |
| Pension Expense | 177,733 | 681,928 | 859,661 |

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North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$25,723 | \$142,103 | \$167,826 |
| District contributions subsequent to the measurement date | <u>281,831</u> | <u>848,220</u> | <u>1,130,051</u> |
| Total Deferred Outflows of Resources | <u>\$307,554</u> | <u>\$990,323</u> | <u>\$1,297,877</u> |
| Deferred Inflows of Resources | | | |
| Net difference between projected and actual earnings on pension plan investments | <u>\$490,519</u> | <u>\$2,730,769</u> | <u>\$3,221,288</u> |

\$1,130,051 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|--------------------|----------------------|----------------------|
| 2016 | (\$116,199) | (\$647,166) | (\$763,365) |
| 2017 | (116,199) | (647,166) | (763,365) |
| 2018 | (116,199) | (647,167) | (763,366) |
| 2019 | <u>(116,199)</u> | <u>(647,167)</u> | <u>(763,366)</u> |
| Total | <u>(\$464,796)</u> | <u>(\$2,588,666)</u> | <u>(\$3,053,462)</u> |

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

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

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | <u>15.00</u> | 7.50 |
| Total | <u>100.00 %</u> | |

**North College Hill City School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2015**

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$4,311,843 | \$3,022,243 | \$1,937,579 |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each

**North College Hill City School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2015**

major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|------------------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | <u>1.00</u> | 3.00 |
| Total | <u><u>100.00 %</u></u> | |

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$21,131,422 | \$14,760,609 | \$9,373,046 |

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Note 12 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$29,584.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$16,507, \$11,529, and \$12,524, respectively. For fiscal year 2015, 94 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 - POSTEMPLOYMENT BENEFITS – (continued)

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,124, \$2,708, and \$28,824, respectively. The full amount has been contributed for fiscal years 2014, 2013, and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$11,529, \$12,524, and \$15,319, respectively. The full amount has been contributed for all three fiscal years.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$62,784, \$60,670, and \$62,082, respectively. The full amount has been contributed for all three fiscal years. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$62,784, and \$60,670 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 13 - Budgetary Basis Of Accounting

While 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

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**North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

Net Change in Fund Balance

| | <u>General</u> |
|--------------------------|-------------------------|
| GAAP Basis | \$1,176,146 |
| Revenue Accruals | (16,947) |
| Expenditure Accruals | (240,878) |
| Transfer (Out) | (2,500) |
| Advances In | 1,053 |
| Encumbrances | (60,392) |
| Funds Budgeted Elsewhere | <u>(1,441)</u> |
| Budget Basis | <u><u>\$855,041</u></u> |

Note 14 – Contingencies

Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

Grants

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

Litigation

The District is involved in no material litigation as either plaintiff or defendant.

Note 15 - Statutory Reserves

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2015, the reserve activity was as follows:

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

| | Capital Acquisition |
|---|------------------------|
| Set Aside Reserve Balance as of June 30, 2014 | \$26,210 |
| Current Year Set Aside Requirements | 279,362 |
| Qualified Disbursements | (312,859) |
| Set Aside Reserve Balance as of June 30, 2015 | <u>(\$7,287)</u> |
| Restricted Cash as of June 30, 2015 | <u>\$0</u> |
| Carried Forward as of June 30, 2015 | \$0 |

Note 16 – Fund Balances

Fund balance is classified as non spendable, 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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund Balances | General | Debt Service | Nonmajor Governmental Funds | Total |
|-----------------------------------|--------------------|------------------|-----------------------------------|--------------------|
| Restricted for: | | | | |
| Food Service Operation | \$0 | \$0 | \$430,242 | \$430,242 |
| Local Grant | 0 | 0 | 47,868 | 47,868 |
| OSFC | 0 | 0 | 18 | 18 |
| Replacement | 0 | 0 | 9,258 | 9,258 |
| OSFC Maintenance | 0 | 0 | 163,133 | 163,133 |
| Debt Service | 0 | 663,922 | 0 | 663,922 |
| Permanent Improvements | 0 | 0 | 707,336 | 707,336 |
| District Managed Activity Support | 0 | 0 | 8,921 | 8,921 |
| One Net Connectivity Program | 0 | 0 | 2,778 | 2,778 |
| Race to the Top | 0 | 0 | 5,091 | 5,091 |
| Carl Perkins Grant | 0 | 0 | 470 | 470 |
| Title III | 0 | 0 | 2,367 | 2,367 |
| Building | 0 | 0 | 476,621 | 476,621 |
| Total Restricted | <u>0</u> | <u>663,922</u> | <u>1,854,103</u> | <u>2,518,025</u> |
| Assigned to: | | | | |
| Encumbrances | 55,685 | 0 | 0 | 55,685 |
| Total Assigned | <u>55,685</u> | <u>0</u> | <u>0</u> | <u>55,685</u> |
| Unassigned (Deficit) | <u>1,888,387</u> | <u>0</u> | <u>(231,770)</u> | <u>1,656,617</u> |
| Total Fund Balance | <u>\$1,944,072</u> | <u>\$663,922</u> | <u>\$1,622,333</u> | <u>\$4,230,327</u> |

North College Hill City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 17 – Change in Accounting Principles and Restatement of Net Position

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

| | |
|--|---------------------------|
| Net position June 30, 2014 | \$25,274,098 |
| Adjustments: | |
| Net Pension Liability | (21,087,631) |
| Deferred Outflow - Payments Subsequent to Measurement Date | <u>1,110,978</u> |
| Restated Net Position June 30, 2014 | <u><u>\$5,297,445</u></u> |

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

REQUIRED SUPPLEMENTARY INFORMATION

North College Hill City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

| | 2014 | 2013 |
|---|--------------|--------------|
| District's Proportion of the Net Pension Liability | 0.06068466% | 0.06068466% |
| District's Proportionate Share of the Net Pension Liability | \$14,760,609 | \$17,535,389 |
| District's Covered-Employee Payroll | \$6,282,823 | \$6,071,230 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 234.94% | 288.83% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 69.30% |

(1) - Information prior to 2013 is not available

North College Hill City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

| | 2014 | 2013 |
|---|-------------|-------------|
| District's Proportion of the Net Pension Liability | 0.059717% | 0.059717% |
| District's Proportionate Share of the Net Pension Liability | \$3,022,243 | \$3,552,242 |
| District's Covered-Employee Payroll | \$1,526,470 | \$1,690,013 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 197.99% | 210.19% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.70% | 65.52% |

(1) - Information prior to 2013 is not available

North College Hill City School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$848,220 | \$868,041 | \$829,884 | \$869,160 | \$966,780 |
| Contributions in Relation to the Contractually Required Contribution | <u>(848,220)</u> | <u>(868,041)</u> | <u>(829,884)</u> | <u>(869,160)</u> | <u>(966,780)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| District Covered-Employee Payroll | \$6,005,745 | \$6,282,823 | \$6,071,230 | \$6,138,701 | \$6,665,097 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.12% | 13.82% | 13.67% | 14.16% | 14.51% |

| 2010 | 2009 | 2008 | 2007 | 2006 |
|-------------|-------------|-------------|-------------|-------------|
| \$971,604 | \$943,380 | \$906,636 | \$840,156 | \$806,772 |
| (971,604) | (943,380) | (906,636) | (840,156) | (806,772) |
| \$0 | \$0 | \$0 | \$0 | \$0 |
| \$7,044,140 | \$6,809,939 | \$6,433,291 | \$6,041,949 | \$5,858,758 |
| 13.79% | 13.85% | 14.09% | 13.91% | 13.77% |

North College Hill City School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$281,832 | \$242,936 | \$286,656 | \$282,192 | \$345,120 |
| Contributions in Relation to the Contractually Required Contribution | (281,832) | (242,936) | (286,656) | (282,192) | (345,120) |
| Contribution Deficiency (Excess) | \$0 | \$0 | \$0 | \$0 | \$0 |
| District Covered-Employee Payroll | \$1,539,918 | \$1,526,470 | \$1,690,013 | \$1,626,900 | \$1,586,385 |
| Contributions as a Percentage of Covered-Employee Payroll | 18.30% | 15.91% | 16.96% | 17.35% | 21.76% |

| 2010 | 2009 | 2008 | 2007 | 2006 |
|-------------|-------------|-------------|-------------|-------------|
| \$306,744 | \$309,624 | \$288,540 | \$228,828 | \$229,524 |
| (306,744) | (309,624) | (288,540) | (228,828) | (229,524) |
| \$0 | \$0 | \$0 | \$0 | \$0 |
| \$1,495,374 | \$1,513,161 | \$1,732,780 | \$1,557,806 | \$1,439,475 |
| 20.51% | 20.46% | 16.65% | 14.69% | 15.94% |

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**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

| Federal Grant / Program Title | Pass Through Identifying Number | Federal CFDA Number | Cash Receipts | Non-Cash Receipts | Cash Disbursements | Non-Cash Disbursements |
|---|---------------------------------------|---------------------------|------------------|----------------------|-----------------------|---------------------------|
| U.S. Department of Agriculture (Passed Through Ohio Department of Education) | | | | | | |
| Child Nutrition Cluster | | | | | | |
| Non-Cash Assistance (Donated Food) | | | | | | |
| National School Lunch | 3L60 | 10.555 | - | 78,962 | - | 78,962 |
| Cash Assistance | | | | | | |
| School Breakfast | 3L70 | 10.553 | 214,720 | - | 214,720 | - |
| National School Lunch | 3L60 | 10.555 | 565,197 | - | 565,197 | - |
| Summer School Assistance | 3L60 | 10.559 | 54,343 | | 54,343 | |
| Total U.S. Department of Agriculture | | | 834,260 | 78,962 | 834,260 | 78,962 |
| U.S. Department of Education (Passed Through Ohio Department of Education) | | | | | | |
| Special Education Cluster | | | | | | |
| Special Education - IDEA | 3M20 | 84.027 | 481,112 | - | 393,965 | - |
| Special Education Preschool Grants | 3C50 | 84.173 | 6,955 | | 7,074 | |
| Total Special Education Cluster | | | 488,067 | - | 401,039 | - |
| Title I Grants to Local Educational Agencies | 3M00 | 84.010 | 816,480 | - | 768,449 | - |
| Title II-A | 3Y60 | 84.318 | 39,858 | - | 55,720 | - |
| Race to the Top | 3FD0 | 84.395 | 32,683 | - | 10,760 | - |
| English language Acquisition Grants | N/A | 84.365 | 2,434 | - | 67 | - |
| Total U.S. Department of Education | | | 1,379,522 | - | 1,236,036 | - |
| Total Federal Awards | | | 2,213,782 | 78,962 | 2,070,296 | 78,962 |

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

North College Hill City School District
Hamilton County
1731 Goodman Avenue
Cincinnati, Ohio 45239

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North College Hill City School District, Hamilton County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 6, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

June 6, 2016



Dave Yost • Auditor of State

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

North College Hill City School District
Hamilton County
1731 Goodman Avenue
Cincinnati, Ohio 45239

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the North College Hill City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the North College Hill City School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the North College Hill City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2015-002. This finding did not require us to modify our compliance opinion on each major federal program.

The District's response to our noncompliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2014-002.

The District's response to the internal control over compliance finding we identified is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

North College Hill City School District
Hamilton County
Independent Auditor's Report On Compliance With Requirements
Applicable To Each Major Federal Program and On Internal Control
Over Compliance Required By OMB Circular A-133
Page 3

Dave Yost
Auditor of State

Columbus, Ohio

June 6, 2016

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**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | Yes |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | Yes |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Child Nutrition Cluster – CFDA10.553, 10.555, 10.559 Special Education Cluster – 84.027, 84.173 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

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

FINDING NUMBER 2014-001

Material Noncompliance

Ohio Rev. Code § 5705.10(I) requires money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. However, Ohio Rev. Code §3315.20 provides an allowable exception for school districts.

A school district may have a deficit in any special fund of the school district if all of the following conditions are satisfied:

**FINDING NUMBER 2014-001
 (Continued)**

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit [Ohio Rev. Code § 3315.20(A)]
- There is a reasonable likelihood that the payment will be made [Ohio Rev. Code § 3315.20(A)]
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds. [Ohio Rev. Code § 3315.20(B)]

The District reported negative balances in the following special funds at June 30, 2015, and the District did not meet all of the conditions described above:

| Fund Name | Fund Number | Negative Amount |
|------------------|--------------------|------------------------|
| IDEA-B | 516 | \$(28,795) |
| Title I | 572 | \$(52,892) |
| Preschool | 587 | \$(238) |
| Title II-A | 590 | \$(20,738) |

We also noted that the deficits in some of the District's special funds were negative throughout the year and the District did not satisfy all of the conditions required for negative balances. For example, we noted that in Fund 572 Title I the fund balance was negative throughout the year with the largest deficit of (\$402,590) occurring at May 31, 2015.

Failure to properly monitor fund balances can result in funds being used for purposes other than those for which the funds were established.

We recommend that the District monitor special fund balances to ensure compliance with Ohio law.

Officials' Response:

Our previous Treasurer had been very ill. We have been made aware of these issues and have taken steps to make sure they do not reoccur.

3. FINDINGS FOR FEDERAL AWARDS

Significant Deficiency/Material Noncompliance

| | |
|------------------------------------|--|
| Finding Number | 2014-002 |
| CFDA Title and Number | Child Nutrition Cluster – 10.555 Special Education Cluster - 84.027, 84.173 |
| Federal Award Number / Year | FY 2015 |
| Federal Agency | U.S. Dept. of Agriculture, U.S. Dept of Education |
| Pass-Through Agency | Ohio Department of Education |

OMB Circular A-133 Subpart C Section .300 states that the auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the Catalogue of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with OMB Circular A-133, Section 310.

The Schedule of Federal Awards Receipts and Expenditures (SEFA) presented for audit contained the following exceptions:

- Title I (CFDA 84.010) expenditures in the amount of \$36,613 were eliminated by entries labeled “Close Out Grant” posted on September 14, 2014. These expenditures related to payroll benefits for Title I employees for the period of July 1 through September 30, 2014. Although these expenditures are an allowable cost of the Title I grant and were budgeted for as such by the District, they were moved to the General Fund after being posted to the Title 1 Fund (Fund 572).
- Special Education Cluster (CFDA 84.027 and 84.173) expenditures were overstated by \$51,900 because a prior year reimbursement from the General fund for 2014 expenditures was added to Fiscal Year 15 expenditures.
- Improving Teacher Quality (CFDA 84.367) expenditures in the amount of \$55,720 were incorrectly reported as Title II-A (CFDA 84.318), a program no longer in existence, on the SEFA. The receipts for this program were understated by \$706 based on outside confirmation.
- Non Cash Donated Food Assistance (CFDA 10.555) expenditures totaling \$78,962 were not included on the SEFA. The schedule was adjusted to include this amount.

Failure to follow grant accounting procedures could result in lack of accountability of federal funds and an inability to track expenditures by their specific source, which could result in noncompliance with federal grant requirements. We recommend that due care be exercised in the preparation of the SEFA.

Officials’ Response:

Our previous Treasurer had been very ill. We have been made aware of these issues and have taken steps to make sure they do not reoccur.