



Dave Yost • Auditor of State

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2016**

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**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Northmont City School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Northmont City School District, Montgomery County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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

Supplementary and Other Information

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

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (C.F.R.) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 26, 2017

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Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016*

(Unaudited)

Our discussion and analysis of Northmont City School District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- At June 30, 2016, the District's liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources by \$18,968,660. This reported deficit can be attributed to recognition of the District's proportionate share of net pension liabilities.
- The District's net position increased by \$2,721,864 or approximately 12.5%. The majority of this increase can be attributed to the increase capital assets, along with the increase in the District's proportionate share of net pension liabilities.
- As of the close of the current fiscal year, the combined governmental fund balances of the District were \$22,224,278; which was a decrease of \$10,183,810 from the combined fund balance reported for the prior year. This decrease was due to the school facilities construction project expenditures recorded during the fiscal year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund, the District's operating fund, was \$8,692,664 or 16.4% of total general fund expenditures.

Using this Annual Financial Report

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

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting prescribed for governmental entities. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position providing the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016*

(Unaudited)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's different types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements. For the year ended June 30, 2016, the District reported no funds classified as proprietary type funds.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for its various student managed activities. All of the District's fiduciary activities are reported in separate a Statement of Fiduciary Assets and Liabilities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

Required Supplementary Information

The Governmental Accounting Standard Boards requires that certain information be presented to supplement the basic financial statements to place the basic financial statements in the appropriate operational, economic, or historical context. This required information is presented after the notes to the basic financial statements and contains the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the General Fund, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District's Contributions, and the notes to the required supplementary information.

Northmont City School District, Ohio

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

(Unaudited)

The District as a Whole

The statement of net position provides the perspective of the District as a whole. A comparative analysis of fiscal year 2016 to 2015 follows:

TABLE 1
NET POSITION JUNE 30

	2016	2015
Assets:		
Current and Other Assets	\$ 59,495,090	69,626,548
Capital Assets	90,764,004	77,278,219
Total Assets	150,259,094	146,904,767
Deferred Outflows of Resources:		
Pension	8,005,496	5,126,564
Total Deferred Outflows of Resources	8,005,496	5,126,564
Liabilities:		
Current Liabilities	9,358,208	10,102,069
Noncurrent Liabilities:		
Due Within One Year	822,896	1,021,816
Due in More than One Year:		
Net Pension Liability	78,819,985	69,092,920
Other Obligations	56,141,184	56,371,187
Total Liabilities	145,142,273	136,587,992
Deferred Inflows of Resources:		
Property Taxes	26,308,667	24,215,648
Payments in Lieu of Taxes	462,727	434,820
Pension	5,319,583	12,483,395
Total Deferred Inflows of Resources	32,090,977	37,133,863
Net Position:		
Net Investment in Capital Assets	41,142,593	37,385,200
Restricted	8,789,301	11,816,111
Unrestricted	(68,900,554)	(70,891,835)
Total Net Position	\$ (18,968,660)	(21,690,524)

In the prior year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Northmont City School District, Ohio

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

(Unaudited)

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.

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

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

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

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

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016*

(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 noted earlier, increases or decreases in net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$19.0 million at the close of the most recent fiscal year compared with the \$21.7 million reported one year.

Total assets of the District increased by \$3.4 million, or 2.3%, from July 1, 2015 to June 30, 2016. Capital assets increased by \$13.5 million (17.5%) as the District completed the construction of the new high school building and continued the renovations of the auditorium during the fiscal year. Current year additions to capital assets during the year amounted to \$15.9 million while depreciation expense was \$1.6 million. Demolition of the old high school building resulted in a current year loss on disposal of capital assets amounting to \$840,902. At year end, capital assets represented 60.4% of total assets. Current and other asset accounts decreased by \$10.1 million during the year as cash and cash equivalents reported at June 30, 2016 were \$10.1 million less than one year prior due to the continued construction activity on the District's school facilities. Intergovernmental receivables reported at June 30, 2016 were \$1.4 million less than the amount reported one year prior, as the outstanding amount of state funding provided for construction continues to decrease as the projects continue towards completion, which was offset by the increase in property taxes receivables resulting from the approval of a 5.9 mill emergency operating levy approved by voters in March 2016. Property tax revenue from the new levy will not be collected by the District until the second half of fiscal year 2017.

Total liabilities reported at June 30, 2016 increased by \$8.6 million (6.3%) from those reported at the beginning of the year. Net pension liability (described above) increased \$9.7 million during the year and represents approximately 54.3% of the total liabilities reported by the District. Remaining components of total liabilities decreased by \$1.1 million during the year due to scheduled debt service payments as well as reductions in payable amounts outstanding at year-end as the construction project nears completion.

Total deferred outflows of resources increased \$2.9 million and deferred inflows of resources decreased by \$5.1 million due to recording the components of the net pension liability as required by GASB 68. Deferred inflows of resources related to property taxes not levied to finance current year operations increased \$2.3 million due to the additional tax revenue anticipated in fiscal year 2017 due to the approval of the emergency operating levy in March 2016.

Net position at June 30, 2016 was \$2.7 million more than it was at the beginning of the year. Net investment in capital assets increased as the District made scheduled debt service payments and current year additions to capital assets. Restricted net position decreased as unspent restricted resources (specifically those associated with school facilities construction projects) decreased over the year due to the ongoing capital construction projects. Unrestricted net position (deficit) improved over the year by 2.8%.

Northmont City School District, Ohio

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

(Unaudited)

A comparative analysis of change in net position for fiscal years 2016 and 2015 follows:

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

	2016	2015
Revenues:		
Program Revenues:		
Charges for Services	\$ 3,938,988	3,578,759
Operating Grants and Contributions	4,375,794	4,452,053
General Revenues:		
Property Taxes	27,272,606	28,035,731
Grants and Entitlements	29,015,498	24,106,782
Other	640,251	773,558
Total Revenues	65,243,137	60,946,883
Expenses:		
Instruction	38,650,791	33,758,536
Support Services:		
Pupils and Instructional Staff	4,803,297	4,903,850
Board of Education, Administration		
Fiscal and Business	5,440,677	5,554,529
Operation and Maintenance of Plant	3,690,842	3,700,099
Pupil Transportation	2,506,403	2,730,457
Central	437,877	415,274
Operation of Non-Instructional Services	3,606,271	3,507,390
Extracurricular Activities	1,273,292	1,173,754
Interest and Fiscal Charges	2,111,823	2,115,354
Total Expenses	62,521,273	57,859,243
Change in Net Position	2,721,864	3,087,640
Net Position, Beginning of Year	(21,690,524)	(24,778,164)
Net Position, End of Year	\$ (18,968,660)	(21,690,524)

Governmental Activities

Net position of the District's governmental activities increased during fiscal year 2016 by approximately \$2.7 million; unrestricted net position (deficit) improved by approximately \$2.0 million during that same period. Total governmental expenses of \$62.5 million exceeded program revenues of \$8.3 million, leaving the remaining \$54.2 million to be covered by general revenues. Program revenues supported 13.3% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements which are reported as general revenues. These two revenue sources represent 86.3% of total governmental revenue.

The property tax laws in Ohio create the need to periodically seek voter approval for additional operating funds. In general, tax revenues generated from a levy do not increase as a result of inflation.

Northmont City School District, Ohio

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

(Unaudited)

An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts must periodically return to the ballot and ask voters for additional resources to maintain current programs. As mentioned above, voters approved a new 5.9 mill emergency operating levy in March 2016 which will generate approximately \$3.5 million per year for the District, however revenue from this new levy will not be received by the District until the second half of fiscal year 2017.

The increase in program revenue resulted from increases in food services charges for services as well as extracurricular activities revenue reported for the current year compared with the prior year. General revenues reported for fiscal year 2016 were \$4.0 million more than those reported for the prior year as the District reported State Foundation revenues at a gross amount for the current year compared with the net amount reported in prior year. As a result, this increase was offset with an equal increase in expenses reported for the year. In total, revenue reported for fiscal year 2016 was 7.1% more than that reported for the prior year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues including tax revenue, investment earnings and unrestricted State entitlements must support the net cost of program services. Comparisons to 2015 are as follows:

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

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 38,650,791	(35,285,161)	33,758,536	(30,318,130)
Support Services	16,879,096	(16,502,529)	17,304,209	(16,949,100)
Operation of Non-Instructional Services	3,606,271	233,771	3,507,390	108,026
Extracurricular Activities	1,273,292	(540,749)	1,173,754	(553,873)
Interest and Fiscal Charges	2,111,823	(2,111,823)	2,115,354	(2,115,354)
Total Expenses	\$ 62,521,273	(54,206,491)	57,859,243	(49,828,431)

The largest expense of the District, instructional programs, total \$38.7 million or 61.8% of the total governmental expenses reported for fiscal year 2016 compared with 58.4% reported for the prior year. Total expenses reported for fiscal year 2016 increased by \$4.7 million over those reported for the prior year. The primary reason for the increase in expenses was the change in the manner the District reported certain deductions passed through the State Foundation program at gross compared with the net amount reported in the prior year (as mentioned above, this increase was offset by an equal increase in revenues reported for the year), but also included wage increases, increased depreciation expense, increase cost of providing health care benefits, loss on disposal of capital assets (primarily the demolition of the old high school building), as well as reporting expenses related to the construction project that did not meet the District's capitalization policy.

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016*

(Unaudited)

The District continues to be heavily reliant on property tax and unrestricted grants and entitlements (State Foundation) revenues to fund services provided to the students and community. During fiscal year 2016, these two revenue sources accounted for 86.3% of the District's general revenues which financed 90.0% of the total program expenses reported for the fiscal year. The non-instructional service, primarily food service operations, was the only functional area which generated sufficient revenues to cover the functional expenses.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$66.5 million and expenditures of \$76.8 million. Overall fund balance of governmental funds decreased \$10.2 million over those at June 30, 2015.

The general fund is the primary operating fund of the District. The general fund balance increased by \$1.8 million during the year compared with the \$1.9 million increase reported in the prior year. General fund revenues increased by \$2.5 million over those of fiscal year 2015 due to the increase in intergovernmental revenue, primarily the change in the how State Foundation funding was recorded previously mentioned. Expenditures of the fund increased by \$2.6 million over those reported in the prior year also primarily due to the manner State Foundation was presented for the fiscal year. This change resulted in a net difference of zero for the year. The ending unassigned fund balance of the general fund at June 30, 2016 (\$8.7 million) represents 16.4% of the total expenditures reported by the general fund for the year then ended.

The significant decrease in the fund balance of the classroom facilities fund, \$8.0 million, was expected as the school construction projects continued throughout the fiscal year. State funding related to these projects decreased in the fiscal year as the major projects, the new early learning center and high school buildings, were near completion at June 30, 2016. The District's other major fund, the permanent improvement capital project fund, showed very little change compared with one year prior. The annual expenditures reported for this fiscal period represented 21.0% of the ending fund balance in this fund at the end of fiscal year 2016.

General Fund Budget Information

During fiscal year 2016, the District modified the general fund's budget on a few occasions. Revenues were originally budgeted at \$53.8 million and were revised to \$52.2 million by the end of the fiscal year as revenue estimates were refined. Expenditures were initially budgeted at \$56.3 million and did not change throughout the course of the fiscal year. Actual budgetary revenues were \$2.2 million higher than the final budgeted revenues while actual budgetary expenditures ended nearly \$3.7 million less than the final budgeted expenditures in total as the actual spending did not come in at anticipated level.

The ending budgetary fund balance of the general fund ended fiscal year 2016 at \$13.1 million, or nearly \$6.1 million more than the final budgeted balance of \$7.0 million and nearly \$4.4 million more than the original budgeted balance of \$8.7 million. The higher actual budgetary fund balance resulted from higher than anticipated revenues received during the year and the lower than expected spending in several expenditure categories as the year progressed.

Northmont City School District, Ohio

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

(Unaudited)

The ending unencumbered cash fund balance of the General Fund at June 30, 2016 represents 24.9% of the total budgetary expenditures reported for the Fund for the year ended June 30, 2016.

Capital Assets

At the end of the fiscal year 2016, the District had \$90.8 million invested in land, construction in progress, buildings, building improvements, furniture, equipment and vehicles, and infrastructure.

During the year, the District reported capital asset additions of \$15.9 million. Completion of the new Northmont High School building during the year resulted in \$54.7 million being moved from construction in progress to buildings, as well as furniture and equipment, categories. Remaining construction in progress represents the community auditorium projects, renovations to the elementary school buildings, and updates to the District's sport complex. Other building improvements and vehicle purchases account for the remainder of the current year additions. Depreciation expense on all capital assets was \$1.6 million for the fiscal year which is nearly double the amount recognized in the prior year due to the completion of the new buildings in the past two years.

Table 4 shows the fiscal year 2016 balances compared to fiscal year 2015.

TABLE 4
CAPITAL ASSETS, JUNE 30

	2016	2015
Land	\$ 1,398,657	1,398,657
Construction in Progress	9,152,353	49,136,922
Buildings and Improvements	76,179,003	23,933,876
Furniture and Equipment	3,194,187	2,085,625
Vehicles	702,705	582,919
Infrastructure	137,099	140,220
Total Net Capital Assets	\$ 90,764,004	77,278,219

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

Debt Administration

At June 30, 2016, the District had \$54.0 million in outstanding general obligation bonds, including \$120,469 of accreted interest on capital appreciation bonds and \$698,202 of unamortized premiums on bonds issued. During the fiscal year, the District paid \$420,000 in principal on bonds during fiscal year 2016 and another \$430,000 of principal is due to mature within one year.

In addition to the general obligation bonds noted above, the District financed the purchase of school busses in a prior year through a capital lease agreement which fully matured during the current year as the District made the final principal payment of \$86,619.

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016*

(Unaudited)

Detailed information regarding long term debt obligations is included in Note 9 to the basic financial statements.

Contacting the District

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the District's financial position and to show the District's accountability for the funds it receives. Should you have any questions about this report or any other financial matter, contact the Treasurer's Office at Northmont City School District, 4001 Old Salem Road, Englewood, Ohio 45322 or by calling 937-832-5008.

Northmont City School District, Ohio

Statement of Net Position June 30, 2016

	Governmental Activities	Component Unit	Total
ASSETS:			
Equity in Pooled Cash and Investments	\$ 28,858,643	\$ 6,406	\$ 28,865,049
Restricted Cash and Investments	606,632	-	606,632
Accounts Receivable	17,042	-	17,042
Intergovernmental Receivable	1,590,128	-	1,590,128
Property and Other Local Taxes Receivable	28,422,645	-	28,422,645
Land and Construction in Progress	10,551,010	-	10,551,010
Depreciable Capital Assets, net	80,212,994	-	80,212,994
<i>Total Assets</i>	<u>150,259,094</u>	<u>6,406</u>	<u>150,265,500</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	8,005,496	-	8,005,496
<i>Total Deferred Outflows of Resources</i>	<u>8,005,496</u>	<u>-</u>	<u>8,005,496</u>
LIABILITIES:			
Accounts Payable	719,082	-	719,082
Contracts Payable	1,408,172	-	1,408,172
Accrued Wages and Benefits	5,204,479	-	5,204,479
Intergovernmental Payable	819,411	6,043	825,454
Claims Payable	29,361	-	29,361
Matured Compensated Absences Payable	221,755	-	221,755
Accrued Interest Payable	349,316	-	349,316
Retainage Payable from Restricted Assets	606,632	-	606,632
Long-Term Liabilities:			
Due Within One Year	822,896	-	822,896
Due in More Than One Year:			
Net Pension Liability	78,819,985	-	78,819,985
Other Amounts Due in More Than One Year	56,141,184	-	56,141,184
<i>Total Liabilities</i>	<u>145,142,273</u>	<u>6,043</u>	<u>145,148,316</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes not Levied to Finance Current Year Operations	26,308,667	-	26,308,667
Payments in Lieu of Taxes not Intended to Finance Current Year Operations	462,727	-	462,727
Pension	5,319,583	-	5,319,583
<i>Total Deferred Inflows of Resources</i>	<u>32,090,977</u>	<u>-</u>	<u>32,090,977</u>
NET POSITION:			
Net Investment in Capital Assets	41,142,593	-	41,142,593
Restricted for Debt Service	1,092,582	-	1,092,582
Restricted for Capital Outlay	5,582,602	-	5,582,602
Restricted for Classroom Facilities Maintenance	1,371,845	-	1,371,845
Restricted for Student Activities	378,330	-	378,330
Restricted for Food Service	286,515	-	286,515
Restricted for Federal and State Educational Grants	13,619	363	13,982
Restricted for Other Purposes	63,808	-	63,808
Unrestricted	(68,900,554)	-	(68,900,554)
<i>Total Net Position</i>	<u>\$ (18,968,660)</u>	<u>\$ 363</u>	<u>\$ (18,968,297)</u>

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

Northmont City School District, Ohio

Statement of Activities For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Component Unit	Total
Governmental Activities:						
Instruction:						
Regular	\$ 26,318,707	\$ 828,589	\$ 106,880	\$ (25,383,238)		\$ (25,383,238)
Special	10,131,615	-	2,401,734	(7,729,881)		(7,729,881)
Vocational	228,909	-	28,427	(200,482)		(200,482)
Other	1,971,560	-	-	(1,971,560)		(1,971,560)
Support Services:						
Pupils	4,287,175	-	26,998	(4,260,177)		(4,260,177)
Instructional Staff	516,122	-	-	(516,122)		(516,122)
Board of Education	80,401	-	-	(80,401)		(80,401)
Administration	3,802,123	130,165	47,936	(3,624,022)		(3,624,022)
Fiscal	1,227,820	-	-	(1,227,820)		(1,227,820)
Business	330,333	-	-	(330,333)		(330,333)
Operation and Maintenance of Plant	3,690,842	42,642	-	(3,648,200)		(3,648,200)
Pupil Transportation	2,506,403	-	114,426	(2,391,977)		(2,391,977)
Central	437,877	-	14,400	(423,477)		(423,477)
Operation of Non-Instructional Services	3,606,271	2,370,643	1,469,399	233,771		233,771
Extracurricular Activities	1,273,292	566,949	165,594	(540,749)		(540,749)
Interest and Fiscal Charges	2,111,823	-	-	(2,111,823)		(2,111,823)
Total Governmental Activities	62,521,273	3,938,988	4,375,794	(54,206,491)		(54,206,491)
Component Unit:						
Northmont Secondary Academy	291,853	-	268,780		(23,073)	(23,073)
Total Component Unit	291,853	-	268,780		(23,073)	(23,073)
Total	\$ 62,813,126	\$ 3,938,988	\$ 4,644,574	(54,206,491)	(23,073)	(54,229,564)
General Revenues:						
Grants and Entitlements not Restricted to Specific Programs				29,015,498	-	29,015,498
Investment Earnings				35,856	-	35,856
Payments in Lieu of Taxes				410,142	-	410,142
Miscellaneous				194,253	-	194,253
Property Taxes Levied for:						
General Purposes				24,150,265	-	24,150,265
Debt Service				2,228,863	-	2,228,863
Capital Projects				630,052	-	630,052
Classroom Facilities Maintenance				263,426	-	263,426
Total General Revenues				56,928,355	-	56,928,355
Change in Net Position				2,721,864	(23,073)	2,698,791
Net Position - Beginning of Year				(21,690,524)	23,436	(21,667,088)
Net Position - End of Year				\$ (18,968,660)	\$ 363	\$ (18,968,297)

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

Northmont City School District, Ohio

Balance Sheet Governmental Funds June 30, 2016

	General Fund	Permanent Improvement	Classroom Facilities	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Investments	\$ 14,907,525	\$ 4,944,019	\$ 3,083,434	\$ 5,923,665	\$ 28,858,643
Restricted Cash and Investments	-	-	560,433	46,199	606,632
Receivables (Net):					
Taxes	25,341,251	930,952	-	2,150,442	28,422,645
Accounts	13,443	-	-	3,599	17,042
Intergovernmental	151,882	462,727	826,873	148,646	1,590,128
Interfund	15,000	-	-	-	15,000
Total Assets	\$ 40,429,101	\$ 6,337,698	\$ 4,470,740	\$ 8,272,551	\$ 59,510,090
LIABILITIES:					
Accounts Payable	675,954	10,978	-	32,150	719,082
Accrued Wages and Benefits	4,805,062	-	-	399,417	5,204,479
Contracts Payable	-	-	971,048	437,124	1,408,172
Interfund Payable	-	-	-	15,000	15,000
Intergovernmental Payable	791,604	-	-	27,807	819,411
Matured Compensated Absences	216,509	-	-	5,246	221,755
Retainage Payable from Restricted Assets	-	-	560,433	46,199	606,632
Claims Payable	29,361	-	-	-	29,361
Total Liabilities	6,518,490	10,978	1,531,481	962,943	9,023,892
DEFERRED INFLOWS OF RESOURCES					
Property Taxes not Levied to Finance					
Current Year Operations	23,468,964	818,176	-	2,021,527	26,308,667
Revenue in Lieu of Taxes not Intended to Finance					
Current Year Operations	-	462,727	-	-	462,727
Unavailable Revenue	584,588	64,612	743,596	97,730	1,490,526
Total Deferred Inflows of Resources	24,053,552	1,345,515	743,596	2,119,257	28,261,920
FUND BALANCES:					
Restricted:					
Capital Outlay	-	4,981,205	2,195,663	1,446,172	8,623,040
Debt Service	-	-	-	1,552,445	1,552,445
Food Service	-	-	-	442,659	442,659
Facilities Maintenance	-	-	-	1,371,845	1,371,845
Student Activities	-	-	-	378,330	378,330
Educational Grant Programs	-	-	-	11,970	11,970
Other Purposes	-	-	-	63,808	63,808
Assigned:					
School Supported Activities	691,436	-	-	-	691,436
Future Purchase Commitments	472,959	-	-	-	472,959
Unassigned (Deficit)	8,692,664	-	-	(76,878)	8,615,786
Total Fund Balances	9,857,059	4,981,205	2,195,663	5,190,351	22,224,278
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 40,429,101	\$ 6,337,698	\$ 4,470,740	\$ 8,272,551	\$ 59,510,090

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

Northmont City School District, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016*

Total Governmental Fund Balances	\$	22,224,278
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.		90,764,004
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.		
Taxes		659,122
Intergovernmental Receivable		831,404
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred outflows/inflows are not reported in governmental funds.		
Deferred Outflows - Pension		8,005,496
Deferred Inflows - Pension		(5,319,583)
Net Pension Liability		(78,819,985)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds		(53,201,703)
Accreted Interest on Capital Appreciation Bonds		(120,469)
Compensated Absences		(2,943,706)
Unamortized Bond Premium		(698,202)
Accrued Interest on Long-Term Debt		(349,316)
Net Position of Governmental Activities	\$	<u>(18,968,660)</u>

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

Northmont City School District, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016*

	General Fund	Permanent Improvement	Classroom Facilities	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:					
Property and Other Local Taxes	\$ 24,171,362	\$ 637,289	\$ -	\$ 2,489,671	\$ 27,298,322
Intergovernmental	28,637,318	130,705	2,144,367	3,565,439	34,477,829
Interest	5,451	1,666	14,071	14,668	35,856
Tuition and Fees	919,743	-	-	-	919,743
Rent	65,102	-	-	-	65,102
Extracurricular Activities	193,182	-	-	340,672	533,854
Gifts and Donations	128,801	-	-	86,604	215,405
Customer Sales and Services	393,155	-	-	2,027,134	2,420,289
Payments in Lieu of Taxes	-	410,142	-	-	410,142
Miscellaneous	107,962	-	37,822	14,644	160,428
<i>Total Revenues</i>	<u>54,622,076</u>	<u>1,179,802</u>	<u>2,196,260</u>	<u>8,538,832</u>	<u>66,536,970</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	23,798,936	-	-	120,318	23,919,254
Special	8,632,173	-	-	1,543,151	10,175,324
Vocational	245,535	-	-	-	245,535
Other	1,971,560	-	-	-	1,971,560
Support Services:					
Pupils	4,285,269	-	-	28,218	4,313,487
Instructional Staff	520,863	-	-	503	521,366
Board of Education	79,992	-	-	-	79,992
Administration	3,641,531	-	-	46,137	3,687,668
Fiscal	1,184,103	12,014	-	29,695	1,225,812
Business	332,046	-	-	-	332,046
Operation and Maintenance of Plant	3,541,049	-	-	127,778	3,668,827
Pupil Transportation	2,450,903	-	-	-	2,450,903
Central	411,903	-	-	28,800	440,703
Operation of Non-Instructional Services	284,584	-	-	3,301,576	3,586,160
Extracurricular Activities	850,953	-	-	376,397	1,227,350
Capital Outlay	642,348	946,644	10,233,794	4,477,493	16,300,279
Debt Service:					
Principal	-	86,619	-	420,000	506,619
Interest	-	2,676	-	2,099,044	2,101,720
<i>Total Expenditures</i>	<u>52,873,748</u>	<u>1,047,953</u>	<u>10,233,794</u>	<u>12,599,110</u>	<u>76,754,605</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	1,748,328	131,849	(8,037,534)	(4,060,278)	(10,217,635)
OTHER FINANCING SOURCES AND USES:					
Insurance Recoveries	33,825	-	-	-	33,825
Transfers In	-	-	-	10,602	10,602
Transfers Out	(10,602)	-	-	-	(10,602)
Total Other Financing Sources and Uses	<u>23,223</u>	<u>-</u>	<u>-</u>	<u>10,602</u>	<u>33,825</u>
<i>Net Change in Fund Balances</i>	1,771,551	131,849	(8,037,534)	(4,049,676)	(10,183,810)
<i>Fund Balance (Deficit) at Beginning of Year</i>	8,085,508	4,849,356	10,233,197	9,240,027	32,408,088
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 9,857,059</u>	<u>\$ 4,981,205</u>	<u>\$ 2,195,663</u>	<u>\$ 5,190,351</u>	<u>\$ 22,224,278</u>

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

Northmont City School District, Ohio

*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
for the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds \$ (10,183,810)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital asset additions used in governmental activities	15,904,677
Depreciation expense	(1,577,990)
Book value of capital assets disposed of during year	(840,902)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,327,658)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, deferred loss on refundings when debt is first issued, whereas these amounts are amortized in the statement of activities.

Repayment of long-term bonds and capital leases	506,619
Current year amortization of bond premium	23,591
Current year accretion of interest on capital appreciation bonds	(36,639)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Accrued interest payable	2,945
Compensated absences	(64,648)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of activities reports these amounts as deferred outflows. 4,519,784

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense among the functions in the statement of activities.

(4,204,105)

Change in Net Position of Governmental Activities \$ 2,721,864

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

Northmont City School District, Ohio

Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2016

	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 70,693
Accounts Receivable	<u>2,494</u>
<i>Total Assets</i>	<u>\$ 73,187</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 1,155
Due to Students	<u>72,032</u>
<i>Total Current Liabilities</i>	<u>73,187</u>
<i>Total Liabilities</i>	<u>\$ 73,187</u>

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

1. Description of the District and Reporting Entity

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

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

Reporting Entity

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

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has one component unit. The basic financial statements of the reporting entity include those of the District (the primary government) and those of Northmont Secondary Academy (component unit).

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

Discretely Presented Component Unit – The Northmont Secondary Academy (the Academy) is a legally separate, conversion community school, serviced by a Board of Directors. The Academy focuses on serving students at risk of or already in therapeutic residential placement and provides an alternative to the traditional educational setting. The Academy was organized under Ohio Revised Code Chapter 3314 and the District is the sponsor. The Academy was founded utilizing existing programs within the existing structure of the District. The employees of the Academy remain part of the collective bargaining unit of the District. Based on the significant services provided by the District to the Academy and the Academy's purpose of serving the students within the District, the Academy is reflected as a component unit of the District. The Academy is reported separately to emphasize that it is legally separate from the District. The Academy paid the District \$393,359, including \$130,165 associated with contractual services provided by the District in the prior fiscal year. Separately issued financial statements for the Academy can be obtained from Beth Owens, Assistant Treasurer at Northmont City School District, 4001 Old Salem Road, Englewood, Ohio 45322.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit can be found in Note 19 to these basic financial statements.

Parochial Schools – Within the District boundaries, Salem Christian Academy is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial schools. The activity of these State monies by the District are reflected in a special revenue fund for financial reporting purposes.

Northmont Education Foundation - The District's Board is responsible for appointing one nonvoting member of the Board of Trustees to the Northmont Education Foundation. The District's accountability does not extend beyond making this appointment, therefore, the Northmont Education Foundation is not considered a related organization.

Other Organizations - The District is associated with four organizations, which are defined as jointly governed organizations and insurance purchasing pools. The jointly governed organizations include the Southwestern Ohio Education Purchasing Council (SOEPC), META Solutions, and the Southwestern Ohio Instructional Technology Association (SOITA). These organizations are presented in Note 18 to the basic financial statements. The insurance purchasing pool is the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust. The organization is presented in Note 17.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

2. **Summary of Significant Accounting Policies**

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

a. Fund Accounting

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

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

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

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

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

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

2. Summary of Significant Accounting Policies (continued)

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include agency funds. Agency funds are purely custodial and thus do not involve measurement of results of operations. The District's only agency fund accounts for various student managed activities.

b. Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

c. **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

Revenues, Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, grants and intergovernmental funding.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred pension contributions. The deferred outflows of resources related to pension are explained further in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, and unavailable revenue. Property taxes and payments in lieu of taxes represents amounts for which there are enforceable legal claims as of June 30, 2016, but which are not intended to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

2. Summary of Significant Accounting Policies (continued)

governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes and intergovernmental grants and funding. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and is further explained in Note 11.

Expenditures/Expenses

The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities to the extent that payments come due each period upon the occurrence of employee resignations and retirements. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

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

d. Cash and Investments

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

Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in repurchase agreements, money market mutual funds, and State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2016, which approximates fair value.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2016 amounted to \$5,451, \$1,666, \$14,071 and \$14,668 in the general, permanent improvement, classroom facilities and other governmental funds, respectively.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

2. Summary of Significant Accounting Policies (continued)

e. **Capital Assets and Depreciation**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than one thousand five hundred dollars (\$1,500) for purchases made before July 1, 2015. On July 1, 2015, the District increased its capitalization threshold to five thousand dollars (\$5,000). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, with the exception of land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

f. **Restricted Assets**

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

g. **Interfund Balances**

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

2. Summary of Significant Accounting Policies (continued)

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

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

h. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws. The liability is based upon pay rates in effect at the balance sheet date.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

i. Accrued Liabilities and Long-term Obligations

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, compensated absences paid from governmental funds (typically the general fund) are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

2. Summary of Significant Accounting Policies (continued)

j. Pensions

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

k. Fund Balance

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted – amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

2. Summary of Significant Accounting Policies (continued)

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

I. Net Position

Net position represents the difference between assets and deferred outflows of resources compared with liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, regulations or other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the District's \$8,789,301 in restricted net position, none was restricted by enabling legislation.

m. Unamortized Bond Premium

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

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

n. Estimates

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

3. Accountability

a. Change in Accounting Principle and Restatement of Net Position

For fiscal year 2016, the District implemented the Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application* and No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments, as well as requiring certain disclosures related to all fair value measurements be presented with the financial statement. GASB Statement No. 76 elevates GASB Implementation Guides in the GAAP hierarchy as well as emphasizing importance of analogies to authoritative literature when not specified in authoritative GAAP.

b. Issued but Not Implemented Accounting Standard

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require the reporting entity to recognize on the face of the financial statements, its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) and the State Teachers Retirement System (STRS). This Standard also enhances accountability and transparency through revised note disclosures and required supplementary information. The provisions of this Standard are required to be implemented for reporting periods beginning after June 15, 2017. The District has not early implemented GASB Statement No. 75 and is currently in the process of evaluating the impact this Standard will have on its financial statements.

c. Deficit Fund Balances

Individual fund deficits reported at June 30, 2016 include the following:

<u>Non-Major Funds</u>	<u>Deficit</u>
IDEA, Part B Grant	\$ 22,521
Title III Grant	1,006
Title I Grant	43,832
Title VI-R Grant	9,519

These deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

4. Deposits and Investments

State statutes require the classification of monies held by the District into three categories.

Active Monies - Those monies required to be kept in a “cash” or “near-cash” status for immediate use by the district. Such monies must be maintained either as cash in the District Treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies - Those monies not required for use within the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested in legal securities (see Note 2d).

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

United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Bonds and other obligations of the State of Ohio;

No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Northmont City School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

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

The State Treasurer's investment pool (STAR Ohio);

Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time, and under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation of or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - The carrying amount of all District deposits was \$19,985,299. Based on the criteria described in GASB Statement 40, "Deposits and Investment Risk Disclosures", \$20,025,044 of the District's bank balance of \$20,891,525 was exposed to custodial risk as discussed below, while \$866,481 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code and the District's investment policy, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

4. Deposits and Investments (continued)

Investments - As of June 30, 2016, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Mutual Fund	\$ 1,055,238	0.000
Repurchase Agreement	7,043,464	0.000
STAROhio	1,451,967	0.000
Total	\$ 9,550,669	
Portfolio Weighted Average Maturity		0.000

Interest Rate Risk

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

Credit Risk

It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments, which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio and the Money Market Mutual Fund were rated AAAM by Standard and Poor's. The repurchase agreements, which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required by Ohio Revised Code 135.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to those investments permitted by the ORC. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk

The District's investment policy places no limit on the amount that may be invested in any one issuer beyond the requirements contained within the Ohio Revised Code. The following table includes the percentage of each investment type held by the District at June 30, 2016:

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

4. Deposits and Investments (continued)

<u>Investment Type</u>	<u>% of Portfolio</u>
Money Market Mutual Fund	11.05%
Repurchase Agreement	73.75%
STAROhio	15.20%
Total	100.00%

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

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

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

Investments of the District also include STAR Ohio and repurchase agreements. These investments are measured at amortized cost; and therefore, these investments are not classified based on the hierarchy provided above. There are no limitations or restrictions on any withdrawals from these investments due to redemption notice periods, liquidity fees, or redemption gates. STAR Ohio does require notice to be given 24 hours in advance for all deposits or withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

5. Property Taxes

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the regular payment due June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Montgomery, Miami, and Darke Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility tangible personal property taxes that became measurable as of June 30, 2016. Although the total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2016 was \$1,074,118, \$40,307, and \$99,582 for the General, Capital Improvement, and Other Governmental Funds, respectively, and is recognized as revenue in the Governmental Funds.

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis, has been deferred. The assessed values upon which fiscal year 2016 taxes were collected are:

	<u>2016 First Half Collections</u>	<u>2015 Second Half Collections</u>
Real Estate		
Residential /Agricultural and Other Real Estate	\$ 610,818,550	\$ 612,092,380
Public Utility Property	<u>13,762,330</u>	<u>13,453,000</u>
Total	<u>\$ 624,580,880</u>	<u>\$ 625,545,380</u>

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

6. Receivables

Receivables at June 30, 2016, consisted of taxes, accounts, and intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables is as follows:

<u>Governmental Activities:</u>	<u>Amount</u>
School Facilities Construction Funding	\$ 826,873
Payments in Lieu of Taxes	462,727
Casino Profit Allocation	133,164
Jr. ROTC Reimbursement	18,718
Title VI-B	40,063
Title III	3,214
Title I	98,039
Improving Teacher Quality	<u>7,330</u>
Total	<u>\$ 1,590,128</u>

7. Interfund Transactions

Interfund balances on the fund statements at June 30, 2016 consist of the following receivables and payables:

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

Advances were made during the year to provide additional resources until grant funding is received. All advances outstanding at June 30, 2015 were repaid and subsequent advances were made in the same amount late in fiscal year 2016. The advances outstanding at year end are expected to be returned to the general fund within one year from June 30, 2016.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

8. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance at 7/1/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/2016</u>
<u>Capital Assets, not being depreciated:</u>				
Land	\$ 1,398,657	\$ -	\$ -	\$ 1,398,657
Construction in Progress	49,136,922	14,685,107	54,669,676	9,152,353
	<u>50,535,579</u>	<u>14,685,107</u>	<u>54,669,676</u>	<u>10,551,010</u>
<u>Capital Assets, being depreciated:</u>				
Building and Improvements	39,343,588	54,196,734	5,368,044	88,172,278
Furniture and Equipment	5,361,815	1,445,944	1,115,893	5,691,866
Vehicles	3,971,702	246,568	218,102	4,000,168
Infrastructure	156,031	-	-	156,031
	<u>48,833,136</u>	<u>55,889,246</u>	<u>6,702,039</u>	<u>98,020,343</u>
<u>Less: Accumulated Depreciation:</u>				
Building and Improvements	15,409,712	1,289,509	4,705,946	11,993,275
Furniture and Equipment	3,276,190	158,578	937,089	2,497,679
Vehicles	3,388,783	126,782	218,102	3,297,463
Infrastructure	15,811	3,121	-	18,932
	<u>22,090,496</u>	<u>1,577,990</u> *	<u>5,861,137</u>	<u>17,807,349</u>
Capital Assets, being depreciated, net	<u>26,742,640</u>	<u>54,311,256</u>	<u>840,902</u>	<u>80,212,994</u>
Total Capital Assets, net	<u>\$ 77,278,219</u>	<u>\$ 68,996,363</u>	<u>\$ 55,510,578</u>	<u>\$ 90,764,004</u>

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

Instruction:	
Regular	\$ 1,343,815
Special	4,531
Support Services:	
Pupil Support	681
Board of Education	409
Administration	15,972
Business	98
Operation and Maintenance of Plant	15,247
Pupil Transportation	110,522
Non-Instructional Services	25,079
Extracurricular Activities	61,636
Total Depreciation Expense	<u>\$ 1,577,990</u>

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

9. Long-Term Obligations

The activity of the District's long-term obligations during fiscal year 2016 was as follows:

	<u>Balance 7/1/2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2016</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
2012A Bonds:					
Current Interest Bonds	\$ 44,190,000	\$ -	\$ (320,000)	43,870,000	\$ 330,000
Capital Appreciation Bonds	121,703	-	-	121,703	-
Accretion of Interest	83,830	36,639	-	120,469	-
2012B Bonds:					
Serial Bonds	5,820,000	-	(100,000)	5,720,000	100,000
Term Bonds	3,490,000	-	-	3,490,000	-
Premium on Bonds	721,793	-	(23,591)	698,202	-
Total General Obligation Bonds	<u>54,427,326</u>	<u>36,639</u>	<u>(443,591)</u>	<u>54,020,374</u>	<u>430,000</u>
Net Pension Liability:					
STRS	55,919,184	8,131,625	-	64,050,809	-
SERS	<u>13,173,736</u>	<u>1,595,440</u>	<u>-</u>	<u>14,769,176</u>	<u>-</u>
Total Net Pension Liability	69,092,920	9,727,065	-	78,819,985	-
Other Long-Term Obligations:					
Capital Leases	86,619	-	(86,619)	-	-
Compensated Absences	<u>2,879,058</u>	<u>579,845</u>	<u>(515,197)</u>	<u>2,943,706</u>	<u>392,896</u>
Total Governmental Activities	<u>\$ 126,485,923</u>	<u>\$ 10,343,549</u>	<u>\$ (1,045,407)</u>	<u>\$ 135,784,065</u>	<u>\$ 822,896</u>

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

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

9. Long-Term Obligations (continued)

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

Fiscal Year	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 430,000	\$ 2,092,669	\$ 2,522,669	\$ -	\$ -	\$ -
2018	435,000	2,086,181	2,521,181	-	-	-
2019	520,000	2,077,969	2,597,969	-	-	-
2020	100,000	2,072,019	2,172,019	121,703	308,297	430,000
2021	530,000	2,065,181	2,595,181	-	-	-
2022-2026	3,525,000	10,045,228	13,570,228	-	-	-
2027-2031	5,155,000	9,366,181	14,521,181	-	-	-
2032-2036	7,100,000	8,336,366	15,436,366	-	-	-
2037-2041	9,470,000	6,731,619	16,201,619	-	-	-
2042-2046	12,670,000	4,518,956	17,188,956	-	-	-
2047-2050	13,145,000	1,350,434	14,495,434	-	-	-
Total	<u>\$ 53,080,000</u>	<u>\$ 50,742,803</u>	<u>\$ 103,822,803</u>	<u>\$ 121,703</u>	<u>\$ 308,297</u>	<u>\$ 430,000</u>

10. Risk Management

a. Property and Liability

The District is exposed to various risks of loss related to torts, theft or, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2016, the District contracted with Southwestern Ohio Educational Purchasing Cooperative Liability, Fleet & Property Program (LFP) and Arthur J. Gallagher & Co. for property, general liability, professional and fleet insurance. Coverage provided by the LFP is as follows:

Building and Contents – replacement cost (\$5,000 deductible)	\$350,000,000 Blanket limit
Boiler and Machinery (\$3,500 deductible)	\$250,000,000
Automobile Liability (no deductible)	1,000,000
Professional Liability (\$10,000 deductible)	
Single Occurrence	1,000,000
Total per year (per member)	1,000,000
General Liability (no deductible)	
Per Occurrence	1,000,000
Total per year (per member)	3,000,000

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

10. **Risk Management** (continued)

Excess Liability/Umbrella (no deductible)	
Per Occurrence	5,000,000
Total per year (per member)	5,000,000
Pollution Legal Liability (\$25,000 deductible)	
Per Occurrence	1,000,000
Total Aggregate Limit	5,000,000

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

b. **Workers' Compensation**

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

Fiscal Year	Beginning Claims Payable	Current Claims	Claims Payments	Ending Claims Payable
2016	\$ 31,366	\$ 145,127	\$ 147,132	\$ 29,361
2015	41,664	163,555	173,853	31,366

11. **Pension Plans**

Net Pension Liability

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

11. **Pension Plans** (continued)

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.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309.

SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

11. Pension Plans (continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire employer contribution of 14 percent was allocated to pension, death benefits, and Medicare B funds. There was no allocation to the Health Care fund for the year.

The District's contractually required contribution to SERS was \$1,137,845 for fiscal year 2016; \$198,649 of contributions is reported within intergovernmental payable at June 30, 2016.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

11. **Pension Plans** (continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annualization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

11. Pension Plans (continued)

to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,381,939 for fiscal year 2016; \$620,500 of contributions is reported within intergovernmental payable at June 30, 2016.

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, 2015, 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	\$ 14,769,176	\$ 64,050,809	\$ 78,819,985
Proportion of the net pension liability	0.2588315%	0.23175683%	
Pension expense	\$ 1,228,792	\$ 2,975,313	\$ 4,204,105

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

11. Pension Plans (continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 207,391	\$ 2,916,643	\$ 3,124,034
Change in School District's proportionate share	-	361,678	361,678
School District contributions subsequent to the measurement date	1,137,845	3,381,939	4,519,784
Total	\$ 1,345,236	\$ 6,660,260	\$ 8,005,496
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on pension plan investments	\$ 719,447	\$ 4,543,735	\$ 5,263,182
Change in School District's proportionate share	56,401	-	56,401
Total	\$ 775,848	\$ 4,543,735	\$ 5,319,583

\$4,519,784 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ (272,307)	\$ (929,284)	\$ (1,201,591)
2018	(272,307)	(929,284)	(1,201,591)
2019	(270,303)	(929,286)	(1,199,589)
2020	246,460	1,522,440	1,768,900
	\$ (568,457)	\$ (1,265,414)	\$ (1,833,871)

Northmont City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

11. Pension Plans (continued)

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

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

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

11. Pension Plans (continued)

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

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

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

11. Pension Plans (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 20,479,540	\$ 14,769,176	\$ 9,960,579

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impact their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

11. Pension Plans (continued)

<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>100.00%</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. 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, 2015.

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>
School District's proportionate share of the net pension liability	\$ 88,971,405	\$ 64,050,809	\$ 42,976,729

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or STRS Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2016, four members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

12. Post-employment Benefits

a. **School Employees Retirement System**

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan. Sections 3309.375 and 3309.69 of the Ohio Revised Code (ORC) permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescriptions drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

Funding Policy

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, the health care allocation is 0.0%. An additional health care surcharge on employees is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. By statute no employer shall pay health care surcharge greater than 2% or that employer's SERS- covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contribution (including surcharge) assigned to health care for the years ended June 30, 2016, 2015, and 2014 were \$126,664, \$188,261, and \$132,746, respectively; which equaled the required contributions for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves, dependents, or surviving beneficiaries. Premiums vary depending on plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan are included in its *Comprehensive Annual Financial Reports*. The reports can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800)878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

b. State Teachers Retirement System

Plan Description

The School District contributes to the cost sharing multiple employer defined Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For years ending June 30, 2016 and 2015, STRS Ohio did not allocate any portion of the employer contributions to the Health Care Stabilization Fund. The School District contributions for the year ended June 30 2014 were \$238,458; which was equal to the required contributions.

13. **Other Employee Benefits**

a. Retirement Incentive

The District Board of Education approved a Retirement Incentive Program. Participation was open to employees who are eligible, by June 30 of any given year, to retire under the State Teachers Retirement System of Ohio. Employees are required to give written notice to the Superintendent by March 30 of the year he/she first becomes eligible for "full retirement" under the State Teachers Retirement System of Ohio and must do so prior to exceeding 30 years of service with the District. The Board did not limit the number of employees participating in the plan in any one year. The retirement incentive is equal to \$1,000 times each year of Northmont service, not to exceed \$20,000 provided that such unit member has at least 10 years of Northmont service, five years of which must be consecutive and in a paid status immediately prior to retirement. At June 30, 2016, the District had six employees who had chosen to accept the retirement incentive. The liability at June 30, 2016, for those six employees of \$120,000 has been included in the matured compensated absences liability in the fund from which the employee's salary will be paid.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

13. Other Employee Benefits (Continued)

b. Insurance Benefits

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

14. Statutory Reserve

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

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

	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2015	\$ -
Current year set-aside requirements	902,910
Current year offset - PI Levy	<u>(1,072,777)</u>
Total	<u>\$ (169,867)</u>
Set-aside cash balance as of June 30, 2016	<u>\$ -</u>

Qualifying offsets related to permanent improvement levy during the year exceeded the amount required for the set aside. However, excess cannot be carried forward to offset future year's requirements.

15. Commitments

a. Encumbrances

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed or assigned classifications of fund balance.

Northmont City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

15. Commitments (Continued)

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 657,884
Permanent Improvement	1,140,440
Classroom Facilities	2,895,632
Other governmental funds	1,697,673
Total	<u>\$ 6,391,629</u>

b. **Construction Contracts**

At June 30, 2016, the District had \$4.0 million of construction contract commitments associated with the construction of the new high school building outstanding.

16. Contingencies

a. **Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits should become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

b. **Full-Time Equivalency Review**

The District's 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 were required to 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. As of the date of this report, ODE has not finalized the impact of the of enrollment adjustments to the Foundation funding for the District for fiscal year 2016; however based on information currently available, management does not believe the effects of these reviews will have a material effect on the District's financial statement.

c. **Litigation**

It is the opinion of management that any potential claim against the District, which would not be covered by insurance, would not materially affect the financial statements.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

17. Public Entity Shared Risk Pool

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

18. Jointly Governed Organizations

a. Southwestern Ohio Educational Purchasing Council (SOEPC)

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2016, the District paid \$227,887 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Kenneth Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

b. META Solutions

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

18. Jointly Governed Organizations (Continued)

The governing board of META Solutions consists of an eight person Board of Directors, with each of the directors elected by a majority vote of all members within each county in META Solutions membership. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302. The District paid \$121,237 to META Solutions during fiscal year 2016.

c. Southwestern Ohio Institutional Technology Association

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2016, the District paid \$2,322 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

19. Northmont Secondary Academy

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

Significant Accounting Policies

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

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

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

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

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

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

Net position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

19. Northmont Secondary Academy (Continued)

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

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

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

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

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

Deposits

At June 30, 2016, the carrying amount of all Academy deposits was \$6,406. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, none of the Academy's bank balance of \$7,949 was exposed to credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

19. Northmont Secondary Academy (Continued)

policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

Contract Services

For fiscal year ended June 30, 2016, contract services expenses through Northmont City School District were as follows, excluding \$130,165 related to services provided in the prior year:

Purchased Instructional Services	\$263,194
----------------------------------	-----------

The above transactions are related party transactions since these services are purchased through the Sponsor, Northmont City School District.

Risk Management

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

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

Contingencies

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The final adjustment amount is not determinable at this time; however, the Ohio Department of Education expects that it will result in money owed to the Academy or money due back to the Ohio Department of Education.

Service Contract

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

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

19. Northmont Secondary Academy (Continued)

Related Party Transaction

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

In fiscal year 2016, payments were made by the Academy to the Sponsor totaling \$393,359. These represent payments for reimbursements for services provided by the Sponsor to the Academy for reimbursements for services provided by the Sponsor to the Academy.

20. Subsequent Event

On March 13, 2017, the District approved a Joint Resolution of Intent with the Northmont Secondary Academy to be dissolved at the end of the 2016-2017 school year. The Academy's program and assets will be transitioned at the beginning of the 2017-2018 school year for the program to be directly operated as a program of the District.

Northmont City School District, Ohio

*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016*

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property Taxes	\$ 24,725,179	\$ 23,919,000	\$ 24,670,443	\$ 751,443
Intergovernmental	28,090,178	27,284,000	28,636,468	1,352,468
Interest	1,500	1,500	5,451	3,951
Tuition and Fees	802,500	802,500	825,930	23,430
Rent	20,000	20,000	32,007	12,007
Customer Sales and Services	121,000	121,000	130,165	9,165
Miscellaneous	5,000	5,000	84,248	79,248
<i>Total Revenues</i>	<u>53,765,357</u>	<u>52,153,000</u>	<u>54,384,712</u>	<u>2,231,712</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	23,715,449	23,715,449	23,919,335	(203,886)
Special	9,064,918	9,064,918	8,456,856	608,062
Vocational	257,752	257,752	236,321	21,431
Other	2,147,460	2,147,460	1,976,128	171,332
Support Services:				
Pupils	4,650,935	4,650,935	4,324,510	326,425
Instructional Staff	606,387	606,387	524,866	81,521
Board of Education	90,000	90,000	79,992	10,008
Administration	4,258,309	4,258,309	3,718,286	540,023
Fiscal	1,303,810	1,303,810	1,194,714	109,096
Business	472,577	472,577	433,839	38,738
Operation and Maintenance of Plant	4,620,208	4,620,208	3,622,690	997,518
Pupil Transportation	2,791,593	2,791,593	2,502,249	289,344
Central	504,278	504,278	421,945	82,333
Extracurricular Activities	670,000	670,000	655,582	14,418
Capital Outlay	1,142,483	1,142,483	552,228	590,255
<i>Total Expenditures</i>	<u>56,296,159</u>	<u>56,296,159</u>	<u>52,619,541</u>	<u>3,676,618</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,530,802)</u>	<u>(4,143,159)</u>	<u>1,765,171</u>	<u>5,908,330</u>
OTHER FINANCING SOURCES (USES):				
Advances In	15,000	15,000	15,000	-
Insurance Recoveries	-	-	33,825	33,825
Refund of Prior Year Expenditures	-	-	5,187	5,187
Transfers Out	-	-	(10,602)	(10,602)
Advances Out	(15,000)	(15,000)	(15,000)	-
Other Financing Uses	(120,776)	(120,776)	-	120,776
<i>Total Other Financing Sources (Uses)</i>	<u>(120,776)</u>	<u>(120,776)</u>	<u>28,410</u>	<u>149,186</u>
<i>Net Change in Fund Balance</i>	<u>(2,651,578)</u>	<u>(4,263,935)</u>	<u>1,793,581</u>	<u>6,057,516</u>
Fund Balance, July 1	10,336,381	10,336,381	10,336,381	-
Prior Year Encumbrances	965,959	965,959	965,959	-
Fund Balance, June 30	<u>\$ 8,650,762</u>	<u>\$ 7,038,405</u>	<u>\$ 13,095,921</u>	<u>\$ 6,057,516</u>

See accompanying notes to the required supplementary information.

Northmont City School District, Ohio

Schedule of the District's Proportionate Share of the Net Pension Liability Last Three Measurement Years (1)

	2015	2014	2013
School Employees Retirement System of Ohio:			
District's Proportion of the Net Pension Liability	0.2588315%	0.260302%	0.260302%
District's Proportionate Share of the Net Pension Liability	\$ 14,769,176	\$ 13,173,736	\$ 15,479,324
District's Covered-Employee Payroll	\$ 8,276,973	\$ 7,640,260	\$ 7,272,052
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	178.44%	172.43%	212.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio			
District's Proportion of the Net Pension Liability	0.23175683%	0.22989814%	0.22989814%
District's Proportionate Share of the Net Pension Liability	\$ 64,050,809	\$ 55,919,184	\$ 66,610,566
District's Covered-Employee Payroll	\$ 24,179,943	\$ 25,296,108	\$ 24,535,515
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	264.89%	221.06%	271.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information Prior to 2013 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

Northmont City School District, Ohio

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

	2016	2015	2014	2013	2012	2011
<u>School Employees Retirement System of Ohio:</u>						
Contractually Required Contribution	\$ 1,137,845	\$ 1,090,905	\$ 1,058,940	\$ 1,006,452	\$ 1,015,499	\$ 1,024,220
Contributions in Relation to the Contractually Required Contribution	(1,137,845)	(1,090,905)	(1,058,940)	(1,006,452)	(1,015,499)	(1,024,220)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Covered-Employee Payroll	8,127,464	8,276,973	7,640,260	7,272,052	7,550,178	8,148,130
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

State Teachers Retirement System of Ohio

Contractually Required Contribution	\$ 3,381,939	\$ 3,385,192	\$ 3,288,494	\$ 3,189,617	\$ 3,288,432	\$ 3,393,696
Contributions in Relation to the Contractually Required Contribution	(3,381,939)	(3,385,192)	(3,288,494)	(3,189,617)	(3,288,432)	(3,393,696)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Covered-Employee Payroll	24,156,707	24,179,943	25,296,108	24,535,515	25,295,631	26,105,354
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) - Information Prior to 2011 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

Northmont City School District, Ohio

Notes to the Required Supplemental Information For the Fiscal Year Ended June 30, 2016

Note 1 – Budgetary Process

Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated, however the District elects to adopt appropriations and budgets for its agency funds. The legal level of control is at the fund/function level for the general fund and fund level for all other funds. Any budgetary modifications which exceed this legal level of control may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2016.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund/function level of expenditures for the general fund and fund level of expenditures for all other funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control.

Northmont City School District, Ohio

Notes to the Required Supplemental Information For the Fiscal Year Ended June 30, 2016

Note 1 – Budgetary Process (Continued)

Any revisions that alter the total of any appropriation at the legal level of control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriation by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The budget figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all amendments and modifications.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures from exceeding appropriations. On the fund financial statement encumbrances are reported within the restricted, committed or assigned fund balances depending on the restrictions placed upon the resources encumbered. For the general fund, encumbrances are reported as a component of assigned fund balance indicating that amount is not currently available. Encumbrances are reported as part of expenditures/expenses on a non-GAAP budgetary basis.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

Reconciliation of Budgetary Information

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

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

Northmont City School District, Ohio

*Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2016*

Note 1 – Budgetary Process (Continued)

3. In order to determine compliance with Ohio law, and reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assignment of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
4. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance	
	General Fund
Budget Basis	\$ 1,793,581
Adjustments:	
Revenue Accruals	(470,337)
Expenditure Accruals	(260,995)
Encumbrances	577,719
Other Financing Sources(Uses)	(5,187)
Perspective Budgeting Difference **	136,770
GAAP Basis	\$ 1,771,551

** As part of GASB Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These funds include the rotary fund, the early childhood center fund, the public school support fund and the latchkey fund.

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$241,841		\$241,841	
National School Lunch Program	10.555	N/A	1,113,549	212,228	1,113,549	212,228
Total Child Nutrition Cluster			<u>1,355,390</u>	<u>212,228</u>	<u>1,355,390</u>	<u>212,228</u>
Total U.S. Department of Agriculture			<u>1,355,390</u>	<u>212,228</u>	<u>1,355,390</u>	<u>212,228</u>
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	S010A150035	665,364		669,018	
Special Education Cluster						
Special Education_Grants to States	84.027	H027A150111	936,661		835,051	
Special Education_Preschool Grants	84.173	H173A150119	5,192		6,335	
Total Special Education Cluster			<u>941,853</u>	<u>-</u>	<u>841,386</u>	<u>-</u>
English Language Acquisition State Grants	84.365	N/A	19,326		19,193	
Improving Teacher Quality State Grants	84.367	S367A150034	110,885		111,145	
Total U.S. Department of Education			<u>1,737,428</u>	<u>-</u>	<u>1,640,742</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$3,092,818</u>	<u>\$212,228</u>	<u>\$2,996,132</u>	<u>\$212,228</u>

The accompanying notes are an integral part of this schedule.

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 C.F.R. 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Northmont City School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Districts* (codified in 2 C.F.R. Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – 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 D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Northmont City School District, Montgomery County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 26, 2017.

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 2016-001.

District's Response to Finding

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

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

April 26, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Northmont City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Northmont City School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in Finding Number 2016-002 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applicable to its CFDA 84.010 Title I Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

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Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the Northmont City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Title I Grants to Local Educational Agencies* program for the year ended June 30, 2016.

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 the Uniform Guidance, 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2016-002.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

April 26, 2017

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control 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 weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies: CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 C.F.R. §200.520?	Yes

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

FINDING NUMBER 2016-001

Noncompliance/Finding for Recovery – Repaid While Under Audit

The District's negotiated agreement between the Northmont Board of Education and the Northmont Classified Employees Association provides guidance for the accumulation, use, and conversion of various leave types including sick leave. Regarding payment of leave at separation of employment, section 9.03 of the agreement states, in part, each employee, at the time of retirement from active service, may make application to be paid for a maximum of one-third (1/3) of the maximum one hundred eighty-six (186) days of accrued but unused sick leave. In addition, each unit member who begins the school year with the maximum portion of sick leave in reserve and who thereafter does not use any sick leave for that school year, shall be awarded one (1) day of severance pay which shall be permanent regardless of the use of sick leave after that school year. The amount to be paid and the determination as to when it shall be paid shall follow the procedure for severance pay.

Joy Eyer, a food service employee for the District, retired effective January 1, 2016. Ms. Eyer was paid for unused sick leave (gross amount) in the amount of \$5,807 on February 19, 2016. However, based on the bargaining contract and calculation below, she should have only been paid \$3,051.

Sick Days	124.25
One-Third Payout for Sick Days	33%
Total Sick Days to Pay	41.42
Daily Rate	\$ 61.75
Total Sick Leave Payout	\$ 2,557
Attendance Bonus Days	8.00
Daily Rate	\$ 61.75
Total Attendance Bonus	\$ 494
Total Severance Pay	\$ 3,051
Total Severance Pay Paid to Joy Eyer	\$ 5,807
Total Severance Pay Due to Joy Eyer	\$ 3,051
Overpayment	\$ 2,756

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code § 117.28**, a finding for recovery for public money illegally expended in the amount of \$2,756 is hereby issued against Joy Eyer and in favor of the Northmont City School District's Food Service Fund.

On December 13, 2016, Joy Eyer repaid the finding amount via check number 4433.

The District should review severance compensation for employees and verify that payments are made in accordance with applicable bargaining agreements. Failure to do so could result in severance overpayments in future years going undetected and resulting in findings for recovery in subsequent audits.

Officials' Response:

See page 79 for the District's Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance and Material Weakness – Cash Management

Finding Number	2016-002
CFDA Title and Number	CFDA #84.010 – Title I Grants to Local Educational Agencies
Federal Award Identification Number / Year	S010A150035
Federal Agency	United States Department of Education
Pass-Through Entity	Ohio Department of Education
Repeat Finding from Prior Audit?	No

Under the authority of **2 C.F.R. § 3474.1** and except as otherwise provided by this section, the Department of Education adopted the Office of Management and Budget (OMB) Guidance in **2 C.F.R. part 200**. Thus, this part gives regulatory effect to the OMB guidance and supplements the guidance as needed for the Department. **2 C.F.R. § 200.305(b)** states, in part, for non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

2 C.F.R. § 200.305(b)(1) states the non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.

2 C.F.R. § 200.305(b)(2)(ii) states that non-Federal entities must be authorized to submit requests for advance payments and reimbursements at least monthly when electronic fund transfers are not used, and as often as they like when electronic transfers are used, in accordance with the provisions of the Electronic Fund Transfer Act (15 U.S.C. 1693-1693r).

Further, **Grants Management Guidance 2015-004** from the Ohio Department of Education (ODE) provides updated cash management guidelines to comply with Federal regulations. It states, in part, that previous cash management guidance outlined by ODE stated that advance funds needed to be liquidated by the end of the month designated on the project cash request. However, US Department of Education (USDOE) guidance states that ODE is required to minimize the amount of time between the drawdown and the use of funds from a subgrantees bank account. Funds must be drawn only to meet a grantee's immediate cash needs for each individual grant.

**FINDING NUMBER 2016-002
(Continued)**

The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity. Therefore, when requesting advance funds, non-Federal entities must now liquidate cash advances within five business days after receiving the funds. To help prevent districts from running a deficit in funds due to the five-day liquidation rule and to also comply with OMNI guidance 200.305(ii), multiple advances can now be requested in a one month period.

Advances should only be requested to cover expenses that are ready to be paid. Advances can be requested to cover payroll expenses and invoices that have been received and will be paid within five business days of receiving grant funds. Advances should not be requested for encumbrances in which services and invoices have not been received unless the entity is certain it will receive and pay the invoice within these established guidelines.

During fiscal year 2016, the District failed to fully expend advanced funds within the required time frame (five business days) for one Title I Grants to Local Educational Agencies receipt. The District expended \$9,009 of the \$42,000 advanced in August 2015 within five business days of receipt. The remaining \$32,991 was not expended within five business days of receipt.

The District should implement procedures to verify all receipts of advanced federal monies are expended within the required time frame as outlined in the grant agreement. Failure to do so could result in noncompliance with Federal grant requirements and potential loss of future federal funding.

Officials' Response:

See page 79 for the District's Corrective Action Plan.

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
2 C.F.R. § 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The money from this error has been deposited back to the District.	Completed December 2016	Ann Bernardo, Treasurer
2016-002	We updated this procedure before the audit recommendation was made. We changed procedures in October of 2016. We no longer ask for monies in advance.	Completed October 2016	Ann Bernardo, Treasurer

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NORTHMONT CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 18, 2017**