



OHIO AUDITOR OF STATE
KEITH FABER



**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2018**

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**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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, 2018, 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 such 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, 2018, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis, the required budgetary comparison schedule, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 (CFR) 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 March 8, 2019, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2019

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Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018*

(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, 2018. 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, 2018, the District's liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources by \$6.4 million. This reported deficit can be attributed to recognition of the District's proportionate share of net pension and OPEB liabilities.
- The District's net position increased by \$32.2 million or approximately 83.5%. The increase is primarily a result of the changes in net pension and OPEB liabilities, related deferred inflows and outflows of resources, and negative pension and OPEB expense for the year.
- As of the close of the current fiscal year, the combined governmental fund balances of the District were \$31.5 million; which was an increase of \$6.6 million from the combined fund balance reported for the prior year. This increase was due to additional property tax and intergovernmental revenue reported for the current fiscal year compared with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund, the District's operating fund, was \$19,784,991 or 36.9% of total general fund expenditures.

Using this Annual Financial Report

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

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

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

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

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018*

(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, 2018, 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 Standards Board (GASB) requires that certain information be presented to supplement the basic financial statements to place the basic financial statements in the appropriate operational, economic, or historical context. This required information is presented after the notes to the basic financial statements and contains the budgetary schedule for the General Fund, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District's Contributions – Pension Plans, the Schedule of the District's Proportionate Share of the Net OPEB Liability, the Schedule of the District's Contributions – OPEB Plans, and the notes to the required supplementary information.

Northmont City School District, Ohio

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018

(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 2018 to 2017 follows:

TABLE 1
NET POSITION JUNE 30

	2018	Restated 2017
Assets:		
Current and Other Assets	\$ 67,835,671	60,265,106
Capital Assets	89,538,379	91,044,474
Total Assets	157,374,050	151,309,580
Deferred Outflows of Resources:		
Deferred Charge on Refunding	1,159,554	-
Pension and OPEB	21,110,306	17,738,560
Total Deferred Outflows of Resources	22,269,860	17,738,560
Liabilities:		
Current Liabilities	6,915,524	6,869,092
Noncurrent Liabilities:		
Due Within One Year	1,160,934	741,587
Due in More than One Year:		
Net Pension Liability	69,560,458	96,002,979
Net OPEB Liability	15,879,373	19,795,110
Other Obligations	58,454,046	55,893,154
Total Liabilities	151,970,335	179,301,922
Deferred Inflows of Resources:		
Property Taxes	28,336,483	27,256,972
Payments in Lieu of Taxes	501,595	548,426
Pension and OPEB	5,189,538	496,727
Total Deferred Inflows of Resources	34,027,616	28,302,125
Net Position:		
Net Investment in Capital Assets	37,807,122	39,358,350
Restricted	7,041,111	8,185,976
Unrestricted	(51,202,274)	(86,100,233)
Total Net Position	\$ (6,354,041)	(38,555,907)

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27". For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018*

(Unaudited)

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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement systems. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018*

(Unaudited)

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating the net deficit at June 30, 2017, from \$18.9 million to \$38.6 million.

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 \$6.4 million at the close of the most recent fiscal year which is an 83.5 percent decrease in the deficit position reported at the beginning of the year.

Total assets of the District increased by \$6.1 million, or 4.0%, from June 30, 2017 to June 30, 2018. Capital assets decreased by \$1.5 million (1.7%) as the District's depreciation expense reported for the year exceeded current year capital asset additions. At year end, capital assets represented 56.9% of total assets. Current and other asset accounts increased by \$7.6 million during the year as the District reported cash and cash equivalents which was \$7.0 million more than the prior year due to the additional property tax and intergovernmental revenues received during the year. Property taxes receivable increased for fiscal year 2018 due to higher property values than the year prior.

Total liabilities reported at June 30, 2018 decreased by \$27.3 million (15.2%) from those reported at the beginning of the year. Net pension and OPEB liabilities (described above) decreased \$30.4 million during the year and represent approximately 56.2% of the total liabilities reported by the District. Remaining components of total liabilities increased by \$3.0 million during the year due the refunding debt issued (principal and premium recorded) as well as the capital lease agreement entered into during the year to finance the purchase of school buses.

Northmont City School District, Ohio

Management's Discussion & Analysis
 For the Fiscal Year Ended June 30, 2018

(Unaudited)

Total deferred outflows of resources increased \$4.5 million and deferred inflows of resources increased by \$5.7 million. The majority of these increases were due to recording the components of the net pension and OPEB liabilities as required by GASB 68 and GASB 75. Deferred inflows of resources related to property taxes not levied to finance current year operations increased \$1.1 million due to the additional tax revenue anticipated related to higher property valuations for the year. Deferred outflows of resources for deferred charge on refunding was first recognized in fiscal year 2018 when the District issued the 2017 refunding bonds. This amount represents the difference between the carrying value of the debt refunded versus the required to be placed in escrow to settle debt service related to that debt obligation. The charge on refunding will be amortized over the life of the refunding bonds issued.

Net position at June 30, 2018 was \$32.2 million more than it was at the beginning of the year. Net investment in capital assets decreased as the District's depreciation expense for the year exceeded the capital asset additions plus principal payments on capital related debt during the year. Restricted net position decreased as accreted interest on capital appreciation bonds increased significantly for the current fiscal year which is offset against cash being accumulated to service future debt service. Unrestricted net position (deficit) improved over the year by 40.5%, or \$34.9 million, as the activity of the pension and OPEB liabilities and components are closed through the unrestricted net position account.

A comparative analysis of change in net position for fiscal years 2018 and 2017 follows:

TABLE 2
CHANGE IN NET POSITION, JUNE 30

	2018	2017
Revenues:		
Program Revenues:		
Charges for Services	\$ 4,258,434	3,623,252
Operating Grants and Contributions	4,367,795	4,731,813
General Revenues:		
Property Taxes	31,641,854	30,529,066
Grants and Entitlements	28,934,740	27,710,239
Other	868,104	689,805
Total Revenues	70,070,927	67,284,175

(continued)

Northmont City School District, Ohio

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018

(Unaudited)

TABLE 2
CHANGE IN NET POSITION, JUNE 30
(continued)

	2018	2017
Expenses:		
Instruction	18,201,072	40,909,510
Support Services:		
Pupils and Instructional Staff	2,113,803	5,107,448
Board of Education, Administration		
Fiscal and Business	2,116,915	5,936,261
Operation and Maintenance of Plant	4,309,389	4,985,102
Pupil Transportation	2,477,002	2,637,524
Central	298,149	444,646
Operation of Non-Instructional Services	3,394,845	3,710,528
Extracurricular Activities	1,247,968	1,371,909
Interest and Fiscal Charges	3,709,918	2,111,172
Total Expenses	37,869,061	67,214,100
Change in Net Position	32,201,866	70,075
Net Position, Beginning of Year - Restated	(38,555,907)	N/A
Net Position, End of Year	\$ (6,354,041)	(38,555,907)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense equal to the contractually required contributions to the plans (GASB 27), which was \$137,788. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows or resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of approximately \$2.3 million. Consequently, in order to compare 2018 total program expense to 2017, the following adjustments are needed.

Total FY2018 program expenses under GASB 75	\$ 37,869,061
Negative OPEB expense under GASB 75	2,347,873
FY2018 contractually required contributions	170,836
Adjusted FY2018 program expenses	40,387,770
Total FY2017 program expenses under GASB 45	67,214,100
Decrease in program expenses not related to OPEB	\$ (26,826,330)

Northmont City School District, Ohio

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018

(Unaudited)

Governmental Activities

Net position (deficit) of the District's governmental activities decreased significantly during fiscal year 2018; unrestricted net position (deficit) improved by approximately \$34.9 million during that same period. Total governmental expenses of \$37.9 million exceeded program revenues of \$8.6 million, leaving the remaining \$29.2 million to be covered by general revenues. Program revenues supported 22.8% 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 86.5% of total governmental revenue.

The property tax laws in Ohio create the need to periodically seek voter approval for additional operating funds. In general, tax revenues generated from a levy do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts must periodically return to the ballot and ask voters for additional resources to maintain current programs. In March 2016, voters approved a new 5.9 mill emergency operating levy which will generate approximately \$3.5 million per year for the District. Fiscal year 2018 was the first full year of collections of the additional property tax amount.

Overall, program revenue reported for fiscal year 2018 was \$271,164 more than the amount reported in for the prior year. Tuition received for open enrollment (charges for service) during fiscal year 2018 accounts increased \$635,182. Operating grants decreased in fiscal year 2018 compared with the prior year as the District did not receive any funding from the State Straight A grant program as it had in the past. In total, revenue reported for fiscal year 2018 was 4.1% 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 2017 are as follows:

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

	2018		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 18,201,072	(14,384,508)	40,909,510	(37,329,679)
Support Services	11,315,258	(11,071,512)	19,110,981	(18,859,734)
Operation of Non-Instructional Services	3,394,845	430,582	3,710,528	91,421
Extracurricular Activities	1,247,968	(507,476)	1,371,909	(649,871)
Interest and Fiscal Charges	3,709,918	(3,709,918)	2,111,172	(2,111,172)
Total Expenses	\$ 37,869,061	(29,242,832)	67,214,100	(58,859,035)

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018*

(Unaudited)

The largest expense of the District, instructional programs, total \$18.2 million or 48.1% of the total governmental expenses reported for fiscal year 2018 compared with 60.9% reported for the prior year. Total expenses reported for fiscal year 2018 decreased by \$29.3 million over those reported for the prior year. The decrease in total expense is due exclusively to allocating the negative pension and OPEB expense for the year to the functional areas. For fiscal year 2018, total pension and OPEB expense was a negative \$24.1 million compared with the positive \$7.4 million of pension expense reported for the prior year. Additional expenses related to special education programs, increases in wages and benefit costs, as well as repair and maintenance projects performed during the year, did account for increases that partially offset the decrease related to pension and OPEB liabilities.

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 2018, these two revenue sources accounted for 98.6% of the District's general revenues which financed 77.2% of the total program expenses reported for the fiscal year. The non-instructional service, primarily food service operations, has historically been the only functional area which generates sufficient program 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 \$70.2 million and expenditures of \$64.2 million. Overall fund balance of governmental funds increased \$6.6 million over those at June 30, 2017.

The general fund is the primary operating fund of the District. The general fund balance increased by \$6.3 million during the year compared with the \$4.8 million increase reported in the prior year. General fund revenues increased by \$2.6 million over those of fiscal year 2017 due to the additional revenue received through the additional property tax operating levy and open enrollment tuition previously mentioned. Expenditures of the fund increased by nearly 2.0% as the District administration continues its efforts to restrict budgetary growth. The ending unassigned fund balance of the general fund at June 30, 2018 (\$19.8 million) represents 36.9% of the total expenditures reported by the general fund for the year then ended compared with the 26.2% at the end of the prior year.

The District's other major fund, the permanent improvement capital project fund, reported an increase of \$474,083 in fund balance for fiscal year 2018 as the District performed fewer repair and maintenance projects and major acquisitions than it did in the prior year.

General Fund Budget Information

The District modified the general fund's budget during fiscal year 2018. Budgeted revenues and other financing sources increased \$417,798 from \$57.3 million to \$57.7 million, and budgeted expenditures and other financing uses decreased \$1.3 million from \$56.8 million to \$55.5 million.

The ending budgetary fund balance of the general fund ended fiscal year 2018 at \$23.1 million, or nearly \$3.8 million more than the final budgeted balance of \$19.2 million. The higher actual budgetary fund balance resulted from higher than expected tuition and fees revenue as well as lower than expected spending due to management's effort to control operating costs.

Northmont City School District, Ohio

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018

(Unaudited)

The ending unencumbered cash fund balance of the General Fund at June 30, 2018 represents 43.2% of the total budgetary expenditures reported for the Fund for the year ended June 30, 2018.

Capital Assets

At the end of the fiscal year 2018, the District had \$89.5 million invested in land, buildings, building improvements, furniture, equipment and vehicles, and infrastructure.

During the year, the District reported depreciation expense of \$2.4 million compared with capital asset additions of \$913,616. Significant capital asset additions for the year included replacement of the Northmont Middle School HVAC as well as the acquisition of four school buses.

Table 4 shows the fiscal year 2018 balances compared to fiscal year 2017.

TABLE 4
CAPITAL ASSETS, JUNE 30

	2018	2017
Land	\$ 1,398,657	1,398,657
Buildings and Improvements	83,951,404	85,503,121
Furniture and Equipment	3,084,624	3,264,249
Vehicles	972,837	744,469
Infrastructure	<u>130,857</u>	<u>133,978</u>
Total Net Capital Assets	\$ <u>89,538,379</u>	<u>91,044,474</u>

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

Debt Administration

At June 30, 2018, the District had \$56.2 million in outstanding general obligation bonds, including \$1.8 million of accreted interest on capital appreciation bonds and \$2.0 million of unamortized premiums on bonds issued. The District paid \$435,000 in principal on bonds during fiscal year 2018 and another \$900,000 of principal is due to mature within one year.

In December 2017, the District issued \$11.8 million of refunding bonds to provide financing to defease \$11.8 million of 2012A general obligation bonds. This refunding was undertaken to reduce debt service payments by \$5.6 million over the next 32 years and resulted in an economic gain of \$1.8 million. The District also entered into a lease-purchase agreement to acquire four school buses amounting to \$377,340. Principal payments of \$98,166 were paid against the lease liability and another \$90,572 is due to be paid in the subsequent year.

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

Northmont City School District, Ohio

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2018*

(Unaudited)

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, 2018

	Governmental Activities	Component Unit	Total
ASSETS:			
Equity in Pooled Cash and Investments	\$ 36,009,239	\$ 3,027	\$ 36,012,266
Accounts Receivable	50,453	-	50,453
Intergovernmental Receivable	813,596	-	813,596
Property and Other Local Taxes Receivable	30,962,383	-	30,962,383
Land	1,398,657	-	1,398,657
Depreciable Capital Assets, net	88,139,722	-	88,139,722
<i>Total Assets</i>	<u>157,374,050</u>	<u>3,027</u>	<u>157,377,077</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Charge on Refunding Pension and OPEB	1,159,554	-	1,159,554
	21,110,306	-	21,110,306
<i>Total Deferred Outflows of Resources</i>	<u>22,269,860</u>	<u>-</u>	<u>22,269,860</u>
LIABILITIES:			
Accounts Payable	297,251	-	297,251
Accrued Wages and Benefits	5,214,377	-	5,214,377
Intergovernmental Payable	989,797	-	989,797
Claims Payable	25,427	-	25,427
Matured Compensated Absences Payable	70,203	-	70,203
Accrued Interest Payable	318,469	-	318,469
Long-Term Liabilities:			
Due Within One Year	1,160,934	-	1,160,934
Due in More Than One Year:			
Net Pension Liability	69,560,458	-	69,560,458
Net OPEB Liability	15,879,373	-	15,879,373
Other Amounts Due in More Than One Year	58,454,046	-	58,454,046
<i>Total Liabilities</i>	<u>151,970,335</u>	<u>-</u>	<u>151,970,335</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes not Levied to Finance Current Year Operations	28,336,483	-	28,336,483
Payments in Lieu of Taxes not Intended to Finance Current Year Operations	501,595	-	501,595
Pension and OPEB	5,189,538	-	5,189,538
<i>Total Deferred Inflows of Resources</i>	<u>34,027,616</u>	<u>-</u>	<u>34,027,616</u>
NET POSITION:			
Net Investment in Capital Assets	37,807,122	-	37,807,122
Restricted for Capital Outlay	4,915,269	-	4,915,269
Restricted for Classroom Facilities Maintenance	1,005,908	-	1,005,908
Restricted for Student Activities	461,618	-	461,618
Restricted for Food Service	545,862	-	545,862
Restricted for Federal and State Educational Grants	55,202	-	55,202
Restricted for Other Purposes	57,252	-	57,252
Unrestricted	(51,202,274)	3,027	(51,199,247)
<i>Total Net Position</i>	<u>\$ (6,354,041)</u>	<u>\$ 3,027</u>	<u>\$ (6,351,014)</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, 2018

	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	\$ 9,889,097	\$ 1,303,329	\$ 157,988	\$ (8,427,780)		\$ (8,427,780)
Special	6,896,030	-	2,293,973	(4,602,057)		(4,602,057)
Vocational	65,446	-	61,274	(4,172)		(4,172)
Other	1,350,499	-	-	(1,350,499)		(1,350,499)
Support Services:						
Pupils	1,698,161	-	31,928	(1,666,233)		(1,666,233)
Instructional Staff	415,642	-	-	(415,642)		(415,642)
Board of Education	81,382	-	-	(81,382)		(81,382)
Administration	1,751,640	-	34,665	(1,716,975)		(1,716,975)
Fiscal	(51,372)	-	-	51,372		51,372
Business	335,265	-	-	(335,265)		(335,265)
Operation and Maintenance of Plant	4,309,389	25,975	-	(4,283,414)		(4,283,414)
Pupil Transportation	2,477,002	-	136,778	(2,340,224)		(2,340,224)
Central	298,149	-	14,400	(283,749)		(283,749)
Operation of Non-Instructional Services	3,394,845	2,370,873	1,454,554	430,582		430,582
Extracurricular Activities	1,247,968	558,257	182,235	(507,476)		(507,476)
Interest and Fiscal Charges	3,512,275	-	-	(3,512,275)		(3,512,275)
Bond Issuance Expenses	197,643	-	-	(197,643)		(197,643)
Total Governmental Activities	37,869,061	4,258,434	4,367,795	(29,242,832)		(29,242,832)
Component Unit:						
Northmont Secondary Academy	13,819	-	-		(13,819)	(13,819)
Total Component Unit	13,819	-	-		(13,819)	(13,819)
Total	\$ 37,882,880	\$ 4,258,434	\$ 4,367,795	(29,242,832)	(13,819)	(29,256,651)
General Revenues:						
Grants and Entitlements not Restricted to Specific Programs				28,934,740	-	28,934,740
Investment Earnings				82,685	-	82,685
Payments in Lieu of Taxes				541,041	-	541,041
Miscellaneous				244,378	953	245,331
Property Taxes Levied for:						
General Purposes				28,396,553	-	28,396,553
Debt Service				2,324,549	-	2,324,549
Capital Projects				653,314	-	653,314
Classroom Facilities Maintenance				267,438	-	267,438
Total General Revenues				61,444,698	953	61,445,651
Change in Net Position				32,201,866	(12,866)	32,189,000
Net Position - Beginning of Year, Restated				(38,555,907)	15,893	(38,540,014)
Net Position - End of Year				\$ (6,354,041)	\$ 3,027	\$ (6,351,014)

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

Northmont City School District, Ohio

Balance Sheet Governmental Funds June 30, 2018

	General Fund	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Investments	\$ 25,106,435	\$ 4,878,849	\$ 6,023,955	\$ 36,009,239
Receivables (Net):				
Taxes	27,766,964	898,764	2,296,655	30,962,383
Accounts	50,453	-	-	50,453
Intergovernmental	136,957	501,595	175,044	813,596
Interfund	67,260	-	-	67,260
Total Assets	\$ 53,128,069	\$ 6,279,208	\$ 8,495,654	\$ 67,902,931
LIABILITIES:				
Accounts Payable	\$ 243,786	\$ 34,817	\$ 18,648	\$ 297,251
Accrued Wages and Benefits	4,796,832	-	417,545	5,214,377
Interfund Payable	-	-	67,260	67,260
Intergovernmental Payable	937,988	-	51,809	989,797
Matured Compensated Absences Payable	70,203	-	-	70,203
Claims Payable	25,427	-	-	25,427
Total Liabilities	6,074,236	34,817	555,262	6,664,315
DEFERRED INFLOWS OF RESOURCES				
Property Taxes not Levied to Finance				
Current Year Operations	25,419,745	820,566	2,096,172	28,336,483
Revenue in Lieu of Taxes not Intended to				
Finance Current Year Operations	-	501,595	-	501,595
Unavailable Revenue	675,470	17,958	220,946	914,374
Total Deferred Inflows of Resources	26,095,215	1,340,119	2,317,118	29,752,452
FUND BALANCES:				
Restricted:				
Capital Outlay	-	4,904,272	1,612,852	6,517,124
Debt Service	-	-	1,938,781	1,938,781
Food Service	-	-	698,826	698,826
Facilities Maintenance	-	-	1,005,908	1,005,908
Student Activities	-	-	461,618	461,618
Other Purposes	-	-	109,912	109,912
Assigned:				
School Supported Activities	717,199	-	-	717,199
Future Purchase Commitments	456,428	-	-	456,428
Unassigned (Deficit)	19,784,991	-	(204,623)	19,580,368
Total Fund Balances	20,958,618	4,904,272	5,623,274	31,486,164
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 53,128,069	\$ 6,279,208	\$ 8,495,654	\$ 67,902,931

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, 2018

Total Governmental Fund Balances	\$	31,486,164
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		89,538,379
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		602,373
Intergovernmental Receivable		312,001
Certain items will not be recognized as expenditures for the current period and therefore are reported as deferred outflows of resources in the funds.		
Deferred Charge on Refunding		1,159,554
The net pension and OPEB liabilities are not due and payable in the current period; therefore, those liabilities and related deferred outflows/inflows are not reported in governmental funds.		
Deferred Outflows - Pension and OPEB		21,110,306
Deferred Inflows - Pension and OPEB		(5,189,538)
Net Pension Liability		(69,560,458)
Net OPEB Liability		(15,879,373)
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		(52,332,807)
Accreted Interest on Capital Appreciation Bonds		(1,808,393)
Capital Leases		(279,174)
Unamortized Bond Premium		(2,010,342)
Accrued Interest on Long-Term Debt		(318,469)
Compensated Absences		(3,184,264)
		(6,354,041)
Net Position of Governmental Activities	\$	(6,354,041)

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, 2018*

	General Fund	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	\$ 28,543,895	\$ 657,013	\$ 2,599,142	\$ 31,800,050
Intergovernmental	29,043,308	162,907	3,854,993	33,061,208
Interest	57,583	2,812	22,290	82,685
Tuition and Fees	1,414,304	-	-	1,414,304
Rent	77,838	-	-	77,838
Extracurricular Activities	173,470	-	323,233	496,703
Gifts and Donations	147,751	-	66,595	214,346
Customer Sales and Services	272,020	-	1,997,569	2,269,589
Payments in Lieu of Taxes	-	541,041	-	541,041
Miscellaneous	223,985	-	20,393	244,378
<i>Total Revenues</i>	<u>59,954,154</u>	<u>1,363,773</u>	<u>8,884,215</u>	<u>70,202,142</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	23,667,954	-	175,037	23,842,991
Special	9,460,279	-	1,664,864	11,125,143
Vocational	229,577	-	-	229,577
Other	1,663,549	-	-	1,663,549
Support Services:				
Pupils	4,442,560	-	29,931	4,472,491
Instructional Staff	573,070	-	1,127	574,197
Board of Education	80,973	-	-	80,973
Administration	3,952,769	-	48,650	4,001,419
Fiscal	1,331,513	10,755	27,284	1,369,552
Business	373,850	-	-	373,850
Operation and Maintenance of Plant	3,455,414	-	1,168,500	4,623,914
Pupil Transportation	2,513,257	-	-	2,513,257
Central	445,595	-	13,022	458,617
Operation of Non-Instructional Services	314,278	-	3,303,392	3,617,670
Extracurricular Activities	911,664	-	300,985	1,212,649
Capital Outlay	177,680	1,193,237	-	1,370,917
Debt Service:				
Principal	-	98,166	435,000	533,166
Interest	-	-	1,922,654	1,922,654
Issuance Costs	-	-	197,643	197,643
<i>Total Expenditures</i>	<u>53,593,982</u>	<u>1,302,158</u>	<u>9,288,089</u>	<u>64,184,229</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	6,360,172	61,615	(403,874)	6,017,913
OTHER FINANCING SOURCES AND USES:				
Inception of Capital Lease	-	377,340	-	377,340
Refunding Bonds Issued	-	-	11,786,104	11,786,104
Premium on Refunding Bonds Issued	-	-	1,516,205	1,516,205
Payment to Refunded Bond Escrow Agent	-	-	(13,104,666)	(13,104,666)
Transfers In	-	35,128	1,049,866	1,084,994
Transfers Out	(12,738)	-	(1,072,256)	(1,084,994)
<i>Total Other Financing Sources and Uses</i>	<u>(12,738)</u>	<u>412,468</u>	<u>175,253</u>	<u>574,983</u>
<i>Net Change in Fund Balances</i>	6,347,434	474,083	(228,621)	6,592,896
<i>Fund Balance at Beginning of Year</i>	14,611,184	4,430,189	5,851,895	24,893,268
<i>Fund Balance at End of Year</i>	<u>\$ 20,958,618</u>	<u>\$ 4,904,272</u>	<u>\$ 5,623,274</u>	<u>\$ 31,486,164</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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$	6,592,896
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital asset additions used in governmental activities		913,616
Depreciation expense		(2,419,711)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(131,215)
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		533,166
Current year amortization of bond premium		44,371
Current year amortization of deferred charge on refunding		(19,009)
Current year accretion of interest on capital appreciation bonds		(1,644,755)
Inception of capital lease		(377,340)
Refunding bonds issued		(11,786,104)
Premium on bonds issued		(1,516,205)
Payment to escrow agent for advance bond refunding		13,104,666
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		29,772
Compensated absences		(159,475)
Contractually required pension and OPEB contributions are reported as expenditures in the governmental funds, however, the statement of activities reports these amounts as deferred outflows.		
Pension		4,803,183
OPEB		170,836
Except for amounts reported as deferred outflows/inflows, changes in the net pension and OPEB liabilities are reported as negative expenses among the functions in the statement of activities.		
Pension		21,715,301
OPEB		2,347,873
		2,347,873
Change in Net Position of Governmental Activities	\$	32,201,866

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, 2018*

	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 115,008
<i>Total Assets</i>	<u>\$ 115,008</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 2,066
Undistributed Monies	29,414
Due to Students	83,528
<i>Total Current Liabilities</i>	<u>115,008</u>
<i>Total Liabilities</i>	<u>\$ 115,008</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, 2018*

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, 2018*

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. 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. 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.

The Academy ceased operations and academic programs effective July 1, 2017. The financial activity reported for fiscal year 2018 represents residual activity until the Academy is officially closed out and any remaining assets are transferred to the Ohio Department of Education, which has not occurred as of the date of these financial statements. The Academy paid the District \$13,819 for contractual services provided by the District in the prior fiscal year.

See Note 19 to these basic financial statements for addition information relative to the component unit.

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

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

Other Organizations - The District is associated with four organizations, which are defined as jointly governed organizations and a public entity shared risk pool. The jointly governed organizations include the Southwestern Ohio Educational Purchasing Council (SOEPC), META Solutions, and Shared Resource Center Regional Council of Governments. These organizations are presented in Note 17 to the basic financial statements. The public entity shared risk pool is the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust. The organization is presented in Note 16.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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.

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, 2018*

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, 2018*

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

2. Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the District, deferred inflows of resources include property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and student fees. 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 and OPEB plans are reported on the government-wide statement of net position (see Notes 11 and 12).

Expenditures/Expenses

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

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, commercial paper, and State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2018. 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, 2018, which approximates fair value.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

2. Summary of Significant Accounting Policies (continued)

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.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2018 amounted to \$57,583, \$2,812 and \$22,290 in the general, permanent improvement and other governmental funds, respectively.

e. **Capital Assets and Depreciation**

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

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

2. Summary of Significant Accounting Policies (continued)

f. Interfund Balances

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. Due to and due from other funds represents temporary advances of resources from the general fund to non-major grant funds to cover deficit cash balances at year-end. These amounts are eliminated in the statement of net position.

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

g. Compensated Absences

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

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

h. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

2. Summary of Significant Accounting Policies (continued)

the extent that they are due for payment during the current fiscal year. Net pension and OPEB liabilities are recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

i. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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 and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investments at fair value.

j. Fund Balance

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

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

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

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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

2. Summary of Significant Accounting Policies (continued)

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

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

k. Net Position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the District's \$7,041,111 in restricted net position, none was restricted by enabling legislation.

l. 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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

m. **Estimates**

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

3. **Accountability**

a. **Change in Accounting Principle**

For fiscal year 2018, the District implemented the Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*, No. 81, *Irrevocable Split-Interest Agreements*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*.

GASB Statement No. 75 replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB provided to employees. Statement 75 also requires governments in all types of OPEB plans to provide more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The implementation of GASB Statement No. 75 required the District to restate beginning net position of governmental activities at July 1, 2017.

GASB Statement No. 81 requires the government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB Statement No. 85 establishes accounting and reporting requirements for blending component units, goodwill, fair value measurement and applications, and postemployment benefits (pension and other postemployment benefits). GASB Statement No. 86 establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the purpose of extinguishing debt. The implementation of these Standards had no effect on the District's financial statements.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

3. Accountability (Continued)

b. Deficit Fund Balances

Individual fund deficits reported at June 30, 2018 include the following:

Non-Major Funds	Deficit
Miscellaneous State Grants	\$ 2,907
Title VI-B Grant	89,759
Title III Grant	1,826
Title I Grant	69,686
IDEA Preschool Grant	2,348
Title VI-R Grant	16,155
Miscellaneous Federal Grants	21,942

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.

c. Restatement of Net Position

The implementation of GASB Statement No. 75 for fiscal year 2018 had the following effect on the governmental activities net position as reported June 30, 2017:

	Governmental Activities
Net Position at June 30, 2017 as previously reported	\$ (18,898,585)
Adjustments:	
Net OPEB Liability at June 30, 2017	(19,795,110)
Deferred Outflows - Payments Subsequent to Measurement Date	137,788
Net Position at June 30, 2017 as restated	\$ (38,555,907)

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

4. Deposits and Investments

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

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

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

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

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

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

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

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

Bonds and other obligations of the State of Ohio;

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

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

Northmont City School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

4. Deposits and Investments (continued)

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 – At June 30, 2018, the carrying amount of all District deposits was \$18,862,350. Based on the criteria described in GASB Statement 40, "Deposits and Investment Risk Disclosures", \$18,919,734 of the District's bank balance of \$19,669,734 was exposed to custodial risk as discussed below, while \$750,000 was covered by Federal Deposit Insurance Corporation.

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

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

4. Deposits and Investments (continued)

At December 31, 2017, \$614,746 of the District's bank balance of \$18,640,866 was exposed to custodial credit risk. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were correct the next business day.

Investments - As of June 30, 2018, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Mutual Fund	\$ 1,091,799	0.000
Repurchase Agreement	12,189,643	0.000
Commercial Paper	2,495,920	0.082
STAROhio	<u>1,484,535</u>	0.000
Total	<u>\$ 17,261,897</u>	
Portfolio Weighted Average Maturity		0.020

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 Funds were rated AAAM by Standard and Poor's. Commercial paper held by the District was rated P-1 by Moody's and A-1 by Standard and Poor's, with the exception of \$499,315 of Toyota Motor Credit which was rated P-1 and A-1+ by Moody's and Standard and Poor's, respectively. The repurchase agreements, which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required by Ohio Revised Code 135.

Custodial Credit Risk

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

Northmont City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

4. Deposits and Investments (continued)

Concentration of Credit Risk

The District's investment policy places no limit on the amount that may be invested in any one issuer beyond the requirements contained within the Ohio Revised Code. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Investment Type</u>	<u>% of Portfolio</u>
Money Market Mutual Fund	6.32%
Repurchase Agreement	70.62%
Commercial Paper	14.46%
STAROhio	8.60%
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 investments in the money market mutual fund and commercial paper are classified as a level 2 (observable inputs) reoccurring fair value measurement. Investments classified in level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment manager.

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

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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

5. Property Taxes (continued)

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 payable 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, 2018, are available to finance fiscal year 2018 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, 2018. 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, 2018 was \$1,808,706, \$60,246, and \$154,581 for the General, Permanent Improvement, and Other Governmental Funds, respectively, and is recognized as revenue in the Governmental Funds.

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis, has been deferred. The assessed values upon which fiscal year 2018 taxes were collected are:

	2018 First Half Collections	2017 Second Half Collections
Real Estate		
Residential /Agricultural and Other Real Estate	\$ 635,426,200	\$ 608,987,770
Public Utility Property	15,102,150	14,518,490
Total	\$ 650,528,350	\$ 623,506,260

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

6. Receivables

Receivables at June 30, 2018, consisted of taxes, accounts, and intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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

<u>Governmental Activities:</u>	<u>Amount</u>
Distribution of Casino Taxes	\$ 136,957
Payments in Lieu of Taxes	501,595
Title VI-B	95,798
Title I	55,817
Improving Teacher Quality	16,155
Other grant programs	<u>7,274</u>
Total	<u>\$ 813,596</u>

7. Interfund Transactions

At June 30, 2018, the District's interfund receivables and payables consisted for the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$ 67,260</u>	
Other Governmental Funds:		
Miscellaneous State Grants		\$ 7,984
Miscellaneous Federal Grants Fund		<u>59,276</u>
	<u>\$ 67,260</u>	<u>\$ 67,260</u>

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

During fiscal year 2018, the general fund provided operating transfers of \$12,738 to the District managed student activities fund (non-major governmental fund). Also, during the year, the District transferred funds from the school construction fund (non-major governmental fund) to the permanent improvement fund (major fund) and building fund (non-major governmental fund) in the amounts of \$35,128 and \$1,037,128, respectively, in accordance with the final settlement of the program by the State of Ohio.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

8. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance at 7/1/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/2018</u>
<u>Capital Assets, not being depreciated:</u>				
Land	\$ 1,398,657	\$ -	\$ -	\$ 1,398,657
<u>Capital Assets, being depreciated:</u>				
Building and Improvements	99,430,108	456,729	-	99,886,837
Furniture and Equipment	5,983,943	36,794	-	6,020,737
Vehicles	4,136,711	420,093	236,340	4,320,464
Infrastructure	156,031	-	-	156,031
	<u>109,706,793</u>	<u>913,616</u>	<u>236,340</u>	<u>110,384,069</u>
<u>Less: Accumulated Depreciation:</u>				
Building and Improvements	13,926,987	2,008,446	-	15,935,433
Furniture and Equipment	2,719,694	216,419	-	2,936,113
Vehicles	3,392,242	191,725	236,340	3,347,627
Infrastructure	22,053	3,121	-	25,174
	<u>20,060,976</u>	<u>2,419,711</u> *	<u>236,340</u>	<u>22,244,347</u>
Capital Assets, being depreciated, net	<u>89,645,817</u>	<u>(1,506,095)</u>	<u>-</u>	<u>88,139,722</u>
Total Capital Assets, net	<u>\$ 91,044,474</u>	<u>\$ (1,506,095)</u>	<u>\$ -</u>	<u>\$ 89,538,379</u>

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

Instruction:	
Regular	\$ 2,182,011
Special	4,014
Support Services:	
Pupil Support	167
Board of Education	409
Administration	2,182
Business	98
Operation and Maintenance of Plant	13,210
Pupil Transportation	164,318
Non-Instructional Services	25,407
Extracurricular Activities	27,895
Total Depreciation Expense	<u>\$ 2,419,711</u>

Northmont City School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

9. Long-Term Obligations

The activity of the District's long-term obligations during fiscal year 2018 was as follows:

	Restated Balance 7/1/2017	Increase	Decrease	Balance 6/30/2018	Amount Due Within One Year
Governmental Activities:					
2012A Bonds:					
Current Interest Bonds	\$ 43,540,000	\$ -	\$ (12,125,000)	31,415,000	\$ 420,000
Capital Appreciation Bonds	121,703	-	-	121,703	-
Accretion of Interest	163,638	50,866	-	214,504	-
2012B Bonds:					
Serial Bonds	5,620,000	-	(100,000)	5,520,000	100,000
Term Bonds	3,490,000	-	-	3,490,000	-
2017 Refunding Bonds:					
Serial Bonds	-	1,955,000	-	1,955,000	380,000
Term Bonds	-	9,005,000	-	9,005,000	-
Capital Appreciation Bonds	-	826,104	-	826,104	-
Accretion of Interest	-	1,593,889	-	1,593,889	-
Premium on Bonds	674,611	1,516,205	(180,474)	2,010,342	-
Total General Obligation Bonds	53,609,952	14,947,064	(12,405,474)	56,151,542	900,000
Net Pension Liability:					
STRS	76,848,869	-	(22,643,790)	54,205,079	-
SERS	19,154,110	-	(3,798,731)	15,355,379	-
Total Net Pension Liability	96,002,979	-	(26,442,521)	69,560,458	-
Net OPEB Liability:					
STRS	12,278,241	-	(3,375,429)	8,902,812	-
SERS	7,516,869	-	(540,308)	6,976,561	-
Total Net OPEB Liability	19,795,110	-	(3,915,737)	15,879,373	-
Other Long-Term Obligations:					
Capital Leases	-	377,340	(98,166)	279,174	90,572
Compensated Absences	3,024,789	466,062	(306,587)	3,184,264	170,362
Total Governmental Activities	<u>\$ 172,432,830</u>	<u>\$ 15,790,466</u>	<u>\$ (43,168,485)</u>	<u>\$ 145,054,811</u>	<u>\$ 1,160,934</u>

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

General Obligation Bonds:

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

On February 23, 2012, the District issued \$9,975,000 in Serial and Term Bonds for a net premium of \$157,871 at an interest rate between 1.00% and 4.00% throughout the life of the bonds. The 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, 2018*

9. Long-Term Obligations (continued)

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

The capital appreciation bonds have a total maturity value of \$2,885,000 (\$770,000 in fiscal year 2024, \$735,000 in fiscal year 2025, \$705,000 in fiscal year 2026, and \$675,000 in fiscal year 2027) and were issued at \$2,399,283. These bonds are not subject to redemption prior to scheduled maturity. Accretion on the capital appreciation bonds for the current fiscal year amounted to \$1,593,889.

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

Fiscal Year	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 900,000	\$ 1,861,044	\$ 2,761,044	\$ -	\$ -	\$ -
2020	435,000	1,847,944	2,282,944	121,703	308,297	430,000
2021	875,000	1,834,306	2,709,306	-	-	-
2022	975,000	1,814,181	2,789,181	-	-	-
2023	995,000	1,788,869	2,783,869	-	-	-
2024-2028	2,635,000	8,755,566	11,390,566	826,104	2,058,896	2,885,000
2029-2033	6,780,000	7,991,591	14,771,591	-	-	-
2034-2038	8,850,000	6,551,956	15,401,956	-	-	-
2039-2043	11,415,000	4,561,231	15,976,231	-	-	-
2044-2048	14,235,000	1,976,897	16,211,897	-	-	-
2049	3,290,000	55,519	3,345,519	-	-	-
Total	<u>\$ 51,385,000</u>	<u>\$ 39,039,104</u>	<u>\$ 90,424,104</u>	<u>\$ 947,807</u>	<u>\$ 2,367,193</u>	<u>\$ 3,315,000</u>

The 2017 refunding bonds were issued to provide resources to purchase U.S. Government securities which were placed, along with premium proceeds received from the sale of the bonds, in an irrevocable trust for the purpose of generating sufficient resources to satisfy the debt service requirements of \$11,790,000 of the 2012A general obligation bonds at the call date of November 1, 2021. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds have been removed from the statement of net position. The reacquisition price exceeded the net carrying value of the old debt by \$1,178,563. This amount is being reported as a deferred outflow of resources on the statement of net position and is being amortized over the term of the 2017 refunding bonds issued. This advance refunding was undertaken to reduce total debt service payments over the next 32 years by \$5,633,377, and resulted in an economic gain of \$1,757,497.

Northmont City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

9. Long-Term Obligations (continued)

Capital Lease – Lessee Disclosure:

On July 15, 2017, the District entered into a lease-purchase agreement for the acquisition of four (4) school buses. This agreement meets the criteria of a capital lease in that the benefits and risk of ownership transferred to the lessee. Capital lease payments are reflected as debt service payments in the permanent improvement fund on the basic financial statements. These expenditures are shown as program/function expenditures on a budgetary basis. During the current fiscal year, the District made principal payments totaling \$98,166 in accordance with the lease agreement.

The capital assets acquired through the capital lease are recorded as vehicles within the financial statements with a carrying value of \$353,756 (\$377,340 historical cost less \$23,584 in accumulated depreciation).

The following is a schedule of future minimum lease payments required under the capital leases, and the present value of the minimum lease payments as of June 30, 2018:

<u>Fiscal Year Ended June 30,</u>	<u>Total</u> <u>Payments</u>
2019	\$ 98,166
2020	98,166
2021	<u>98,165</u>
Total Minimum Lease Payments	294,497
Less: Amount Representing Interest	<u>(15,323)</u>
Present Value of Minimum Lease Payments	<u>\$ 279,174</u>

Defeased Debt Outstanding:

As of June 30, 2018, \$11,790,000 of the 2012A school improvement general obligation bonds previously defeased remains outstanding. These bonds have a call date of November 1, 2021. Funds have been placed into an irrevocable trust to satisfy the debt service requirements until that call date.

10. Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts, theft or, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2018, 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:

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

10. Risk Management (continued)

Building and Contents – replacement cost (\$5,000 deductible)	\$350,000,000 Blanket limit
Boiler and Machinery (\$3,500 deductible)	\$250,000,000
Automobile Liability (no deductible)	1,000,000
Professional Liability (\$10,000 deductible)	
Single Occurrence	1,000,000
Total per year (per member)	1,000,000
General Liability (no deductible)	
Per Occurrence	1,000,000
Total per year (per member)	3,000,000
Excess Liability/Umbrella (no deductible)	
Per Occurrence	5,000,000
Total per year (per member)	5,000,000
Pollution Legal Liability (\$25,000 deductible)	
Per Occurrence	1,000,000
Total Aggregate Limit	5,000,000

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

Workers' Compensation

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

Fiscal Year	Beginning Claims Payable	Current Claims	Claims Payments	Ending Claims Payable
2018	\$ 21,541	\$ 83,129	\$ 79,243	\$ 25,427
2017	29,361	66,979	74,799	21,541

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

11. Defined Benefits Pension Plans

Net Pension Liability

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

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

11. Defined Benefits Pension Plans (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 **	Eligible to retire on or after August 1, 2017
Full benefits	Age 65 with 5 years of service credit; or 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% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

11. **Defined Benefits Pension Plans** (continued)

The District's contractually required contribution to SERS was \$1,094,973 for fiscal year 2018. Of this amount, \$192,807 is reported as an intergovernmental payable.

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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and 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 5 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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

11. Defined Benefits Pension Plans (continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,708,210 for fiscal year 2018. Of this amount, \$659,568 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

11. Defined Benefits Pension Plans (continued)

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 15,355,379	\$ 54,205,079	\$ 69,560,458
Proportion of the net pension liability	0.2570033%	0.2281818%	
Change in proportionate share	-0.0046978%	-0.0014027%	
Pension (negative) expense	\$ (631,106)	\$ (21,084,195)	\$ (21,715,301)

At June 30, 2018 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	\$ 660,842	\$ 2,093,145	\$ 2,753,987
Change in assumptions	794,038	11,855,248	12,649,286
Change in proportion and differences between District contributions and proportionate share of contributions	74,420	144,670	219,090
District contributions subsequent to the measurement date	1,094,973	3,708,210	4,803,183
Total	<u>\$ 2,624,273</u>	<u>\$ 17,801,273</u>	<u>\$ 20,425,546</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ -	\$ (436,872)	\$ (436,872)
Net difference between projected and actual earnings on pension plan investments	(72,889)	(1,788,830)	(1,861,719)
Change in proportion and differences between District contributions and proportionate share of contributions	(266,954)	(679,993)	(946,947)
Total	<u>\$ (339,843)</u>	<u>\$ (2,905,695)</u>	<u>\$ (3,245,538)</u>

\$4,803,183 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

11. Defined Benefits Pension Plans (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ 533,352	\$ 2,312,724	\$ 2,846,076
2020	852,410	4,746,148	5,598,558
2021	161,661	3,263,877	3,425,538
2022	(357,966)	864,619	506,653
	\$ 1,189,457	\$ 11,187,368	\$ 12,376,825

Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are as follows:

Northmont City School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

11. Defined Benefits Pension Plans (continued)

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

11. Defined Benefits Pension Plans (continued)

Discount Rate – Total pension liability was calculated using the discount rate of 7.5%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$21,309,276	\$15,355,379	\$10,367,776

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019, and 2020.

Actuarial Assumptions - STRS

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

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and Prior
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, including inflation	7.45%, net of investment expenses	7.75%, net of investment expenses
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

11. Defined Benefits Pension Plans (continued)

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and Prior
Cost-of-living adjustments (COLA)	0.00% effective July 1, 2017	2.00% simple for members retiring August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	<u>1.00%</u>	<u>2.25%</u>
Total	<u>100.00%</u>	<u>6.84%</u>

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

11. Defined Benefits Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 77,701,136	\$ 54,205,079	\$ 34,413,173

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

Net OPEB Liability

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, the minimum compensation amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$130,281.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$170,836 for fiscal year 2018. Of this amount \$137,422 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net OPEB liability	\$ 6,976,561	\$ 8,902,812	\$ 15,879,373
Proportion of the net OPEB liability	0.2599569%	0.2281818%	
Change in proportionate share	-0.0037586%	-0.0014027%	
OPEB (negative) expense	\$ 379,501	\$ (2,727,374)	\$ (2,347,873)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ -	\$ 513,924	\$ 513,924
District contributions subsequent to the measurement date	<u>170,836</u>	<u>-</u>	<u>170,836</u>
Total	<u>\$ 170,836</u>	<u>\$ 513,924</u>	<u>\$ 684,760</u>

(continued)

Northmont City School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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

	SERS	STRS	Total
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on OPEB plan investments	\$ (18,424)	\$ (380,528)	\$ (398,952)
Change in assumptions	(662,039)	(717,150)	(1,379,189)
Change in proportion and differences between District contributions and proportionate share of contributions	(101,558)	(64,301)	(165,859)
Total	<u>\$ (782,021)</u>	<u>\$ (1,161,979)</u>	<u>\$ (1,944,000)</u>

\$170,836 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ (281,272)	\$ (139,720)	\$ (420,992)
2020	(281,272)	(139,720)	(420,992)
2021	(214,871)	(139,720)	(354,591)
2022	(4,606)	(139,720)	(144,326)
2023	-	(44,588)	(44,588)
2024	-	(44,587)	(44,587)
	<u>\$ (782,021)</u>	<u>\$ (648,055)</u>	<u>\$ (1,430,076)</u>

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Investment rate of return	7.50% net of investment expense, including inflation
Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Municipal bond index rate:	
Prior measurement date	2.92%
Measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Prior measurement date	2.98%
Measurement date	3.63%
Municipal bond index rate:	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56% as of June 30, 2017 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.63%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%) and one percentage point higher (4.63%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 8,425,086	\$ 6,976,561	\$ 5,828,960

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5% decreasing to 4.0%) and one percentage point higher (8.5% decreasing to 6.0%) than the current rates.

	1% Decrease (6.50% decreasing to 4.00%)	Current Trend Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
District's proportionate share of the net OPEB liability	\$ 5,660,957	\$ 6,976,561	\$ 8,717,787

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017 actuarial valuation are presented below:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6.00% - 11.00% initially, 4.50% ultimate
Cost-of-living adjustments	0.00% effective July 1, 2017

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	<u>1.00%</u>	<u>2.25%</u>
Total	<u>100.00%</u>	<u>6.84%</u>

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

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

Discount Rate – The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58% as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26% which represents the long term expected rate of return of 7.75% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85% for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the District's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 4.13%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) and one percentage point higher (5.13%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 11,951,883	\$ 8,902,812	\$ 6,493,050

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
District's proportionate share of the net OPEB liability	\$ 6,185,293	\$ 8,902,812	\$ 12,479,387

13. Statutory Reserve

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

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

	Capital Acquisition
Set-aside cash balance as of June 30, 2017	\$ -
Current year set-aside requirements	980,822
Current year offset - PI Levy	(1,162,400)
Total	\$ (181,578)
Set-aside cash balance as of June 30, 2018	\$ -

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

14. Commitments - Encumbrances

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 661,198
Permanent Improvement	2,085,600
Other governmental funds	90,393
Total	\$ 2,837,191

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

14. **Commitments – Encumbrances** (continued)

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.

15. **Contingencies**

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits should become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

Full-Time Equivalency Review

The District's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the end of the fiscal year. The FTE adjustments did not result in an additional receivable to, or liability of, the District for fiscal year 2018.

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.

16. **Public Entity Shared Risk Pool**

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

17. Jointly Governed Organizations

Southwestern Ohio Educational Purchasing Council (SOEPC)

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

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 2018, the District paid \$210,386 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Kenneth Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

META Solutions

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

The governing board of META Solutions consists of an eight person Board of Directors, with each of the directors elected by a majority vote of all members within each county in META Solutions membership. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302. The District paid \$245,543 to META Solutions during fiscal year 2018.

Shared Resource Center Regional Council of Governments

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

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

18. Tax Abatements

During fiscal year 2018, the District's property tax revenues were reduced by \$403,636 and \$798,899 under Community Reinvestment Area (CRA) and Enterprise Zone (EZ) agreements, respectively. The CRA agreements were entered into by the City of Englewood and the EZ agreement was entered into by the City of Clayton.

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

During fiscal year 2018, the District received \$168,988 from the City of Clayton and \$107,109 from the City of Englewood related to property tax revenues lost under these abatement agreements.

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.

The Academy ceased operations and academic programs effective July 1, 2017. The financial activity reported for fiscal year 2018 represents residual activity until the Academy's closeout procedures are completed and any remaining assets are transferred to the Ohio Department of Education, which has not occurred as of the date of these financial statements.

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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

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.

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

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.

Northmont City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

19. Northmont Secondary Academy (continued)

Deposits

At June 30, 2018 the carrying amount of all Academy deposits was \$3,027. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, none of the Academy's bank balance of \$3,027 was exposed to credit risk.

Contract Services

For fiscal year ended June 30, 2018, purchased services were as follows:

Purchased Services	\$13,819
--------------------	----------

\$13,819 of the purchased services amount above 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, 2018*

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

Service Contract

The Northmont City School District and the Academy were parties to a service contract agreement. This agreement states that the Academy would contract for educational services from the Northmont City School District board of Education and reimburse the Board of Education for those services. The Northmont City School District agreed to provide the requested services and receive reimbursement for the Academy pursuant to Ohio Revised Code Section 2217.11 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. Fiscal services including payroll, retirement, and insurance
8. Psychological services as needed for re-evaluations and initial multi-factored evaluations
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 continues to act as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Education shall enter into employment contracts with each certified teacher/administrator/aide whose services are to be shared with Northmont City School District. Other services may be provided based on mutual consent of both the Academy and the Northmont City School District.

Related Party Transaction

In fiscal year 2018, payments were made by the Academy to the Sponsor totaling \$13,819. These represent payments for reimbursements for services provided by the Sponsor to the Academy.

Required Supplementary Information

Northmont City School District, Ohio

*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018*

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property Taxes	\$ 28,766,694	\$ 28,109,459	\$ 28,789,046	\$ 679,587
Intergovernmental	27,762,821	28,837,854	29,117,055	279,201
Interest	15,000	15,000	41,744	26,744
Tuition and Fees	250,000	250,000	1,303,686	1,053,686
Rent	461,291	461,291	16,879	(444,412)
Customer Sales and Services	-	-	2,300	2,300
Miscellaneous	-	-	82,707	82,707
<i>Total Revenues</i>	<u>57,255,806</u>	<u>57,673,604</u>	<u>59,353,417</u>	<u>1,679,813</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	25,244,525	23,994,334	23,812,037	182,297
Special	10,316,797	9,861,594	9,332,367	529,227
Vocational	228,400	228,400	226,782	1,618
Other	1,843,000	1,596,000	1,656,482	(60,482)
Support Services:				
Pupils	4,733,454	4,740,709	4,479,566	261,143
Instructional Staff	569,321	571,542	587,725	(16,183)
Board of Education	89,000	89,000	80,973	8,027
Administration	3,969,229	3,986,258	3,985,322	936
Fiscal	1,221,576	1,229,152	1,300,968	(71,816)
Business	402,062	402,724	372,205	30,519
Operation and Maintenance of Plant	3,837,651	4,081,603	3,650,596	431,007
Pupil Transportation	2,803,576	2,971,652	2,614,685	356,967
Central	490,567	535,134	462,768	72,366
Operation of Non-Instructional Services	-	-	12,405	(12,405)
Extracurricular Activities	720,000	720,000	729,038	(9,038)
Capital Outlay	17,000	217,000	26,182	190,818
<i>Total Expenditures</i>	<u>56,486,158</u>	<u>55,225,102</u>	<u>53,330,101</u>	<u>1,895,001</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>769,648</u>	<u>2,448,502</u>	<u>6,023,316</u>	<u>3,574,814</u>
OTHER FINANCING SOURCES (USES):				
Advances In	15,000	15,000	28,835	13,835
Refund of Prior Year Expenditures	-	-	90,826	90,826
Transfers Out	(15,000)	(15,000)	(12,738)	2,262
Advances Out	(3,000)	(3,000)	(92,260)	(89,260)
Other Financing Uses	(285,500)	(236,300)	-	236,300
<i>Total Other Financing Sources (Uses)</i>	<u>(288,500)</u>	<u>(239,300)</u>	<u>14,663</u>	<u>253,963</u>
<i>Net Change in Fund Balance</i>	481,148	2,209,202	6,037,979	3,828,777
Fund Balance, July 1	16,756,728	16,756,728	16,756,728	-
Prior Year Encumbrances	268,658	268,658	268,658	-
Fund Balance, June 30	<u>\$ 17,506,534</u>	<u>\$ 19,234,588</u>	<u>\$ 23,063,365</u>	<u>\$ 3,828,777</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 Five Fiscal Years (1)

	2018	2017	2016	2015	2014
<u>School Employees Retirement System of Ohio:</u>					
District's Proportion of the Net Pension Liability	0.2570033%	0.2617011%	0.2588315%	0.260302%	0.260302%
District's Proportionate Share of the Net Pension Liability	\$ 15,355,379	\$ 19,154,110	\$ 14,769,176	\$ 13,173,736	\$ 15,479,324
District's Covered Payroll	\$ 8,225,421	\$ 8,127,464	\$ 8,276,973	\$ 7,640,260	\$ 7,272,052
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	186.68%	235.67%	178.44%	172.43%	212.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
<u>State Teachers Retirement System of Ohio</u>					
District's Proportion of the Net Pension Liability	0.2281818%	0.2295846%	0.2317568%	0.2298981%	0.2298981%
District's Proportionate Share of the Net Pension Liability	\$ 54,205,079	\$ 76,848,869	\$ 64,050,809	\$ 55,919,184	\$ 66,610,566
District's Covered Payroll	\$ 25,085,793	\$ 24,156,707	\$ 24,179,943	\$ 25,296,108	\$ 24,535,515
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.08%	318.13%	264.89%	221.06%	271.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2014 is not available. The District will continue to present information for years available until a full ten-year trend is presented. Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Northmont City School District, Ohio

Schedule of the District's Contributions - Pension Plans Last Eight Fiscal Years (1)

	2018	2017	2016	2015	2014	2013	2012	2011
School Employees Retirement System of Ohio:								
Contractually Required Contribution	\$ 1,094,973	\$ 1,151,559	\$ 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	(1,094,973)	(1,151,559)	(1,137,845)	(1,090,905)	(1,058,940)	(1,006,452)	(1,015,499)	(1,024,220)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Covered Payroll	8,110,911	8,225,421	8,127,464	8,276,973	7,640,260	7,272,052	7,550,178	8,148,130
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
State Teachers Retirement System of Ohio								
Contractually Required Contribution	\$ 3,708,210	\$ 3,512,011	\$ 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	(3,708,210)	(3,512,011)	(3,381,939)	(3,385,192)	(3,288,494)	(3,189,617)	(3,288,432)	(3,393,696)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Covered Payroll	26,487,214	25,085,793	24,156,707	24,179,943	25,296,108	24,535,515	25,295,631	26,105,354
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	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

See accompanying notes to the required supplementary information

Northmont City School District, Ohio

Schedule of the District's Proportionate Share of the Net OPEB Liability Last Two Fiscal Years (1)

	2018	2017
<u>School Employees Retirement System of Ohio:</u>		
District's Proportion of the Net OPEB Liability	0.2599569%	0.2637156%
District's Proportionate Share of the Net OPEB Liability	\$ 6,976,561	\$ 7,516,869
District's Covered Payroll	\$ 8,225,421	\$ 8,127,464
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.82%	92.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
<u>State Teachers Retirement System of Ohio</u>		
District's Proportion of the Net OPEB Liability	0.2281818%	0.2295846%
District's Proportionate Share of the Net OPEB Liability	\$ 8,902,812	\$ 12,278,241
District's Covered Payroll	\$ 25,085,793	\$ 24,156,707
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.49%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.11%	37.30%

(1) - Information prior to 2017 is not available. The District will continue to present information for years available until a full ten-year trend is presented. Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Northmont City School District, Ohio

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

	2018	2017	2016
<u>School Employees Retirement System of Ohio:</u>			
Contractually Required Contribution (2)	\$ 170,836	\$ 137,788	\$ 126,664
Contributions in Relation to the Contractually Required Contribution	<u>(170,836)</u>	<u>(137,788)</u>	<u>(126,664)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	8,110,911	8,225,421	8,127,464
Contributions as a Percentage of Covered Payroll	2.11%	1.68%	1.56%
<u>State Teachers Retirement System of Ohio</u>			
Contractually Required Contribution	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	26,487,214	25,085,793	24,156,707
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

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

(2) - Contributions include annual surcharge amount.

See accompanying notes to the required supplementary information.

Northmont City School District, Ohio

*Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2018*

Note 1 – Budgetary Process

Budgets and Budgetary Accounting

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

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

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2018.

Appropriations

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

Northmont City School District, Ohio

*Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2018*

Note 1 – Budgetary Process (Continued)

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

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

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

Lapsing of Appropriations

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

Reconciliation of Budgetary Information

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

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

Northmont City School District, Ohio

*Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2018*

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	\$ 6,037,979
Adjustments:	
Revenue Accruals	(163,638)
Expenditure Accruals	(216,034)
Encumbrances	578,281
Other Financing Sources(Uses)	(27,401)
Perspective Budgeting Difference **	138,247
GAAP Basis	\$ 6,347,434

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

Northmont City School District, Ohio

*Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2018*

Note 2 – Defined Benefits Pension Plans

School Employees Retirement System of Ohio:

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

Change in benefit terms. For 2017, an assumption of 2.5% was used for COLA or Ad Hoc COLA. Prior to 2017, an assumption of 3.0% was used.

State Teachers Retirement System of Ohio:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered from 3.5% to 3.0%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

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

Note 3 – Other Postemployment Benefit (OPEB) Plans

School Employees Retirement System of Ohio:

Change in assumption. Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

Northmont City School District, Ohio

*Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2018*

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

State Teachers Retirement System of Ohio:

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

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 % to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$234,047		\$234,047	
National School Lunch Program	10.555	N/A	1,085,782	190,959	1,085,782	190,959
Total Child Nutrition Cluster			<u>1,319,829</u>	<u>190,959</u>	<u>1,319,829</u>	<u>190,959</u>
Total U.S. Department of Agriculture			<u>1,319,829</u>	<u>190,959</u>	<u>1,319,829</u>	<u>190,959</u>
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	S010A160035 S010A170035	729,699		708,386	
Special Education Cluster (IDEA)						
Special Education Grants to States	84.027	H027A160111 H027A170111	980,644		946,393	
Special Education Preschool Grants	84.173	H173A170119	31,003		30,726	
Total Special Education Cluster (IDEA)			<u>1,011,647</u>	<u>-</u>	<u>977,119</u>	<u>-</u>
Student Support and Academic Enrichment Program	84.424	N/A	19,172		19,172	
English Language Acquisition State Grants	84.365	S365A160035 S365A170035	20,716		20,111	
Supporting Effective Instruction State Grants	84.367	S367A160034 S637A170034	124,473		119,632	
Comprehensive Literacy Development	84.371	N/A	-		21,942	
Total U.S. Department of Education			<u>1,905,707</u>	<u>-</u>	<u>1,866,362</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$3,225,536</u>	<u>\$190,959</u>	<u>\$3,186,191</u>	<u>\$190,959</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 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 fiscal year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

OHIO AUDITOR OF STATE KEITH FABER



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 Northmont City School District, Montgomery County, (the District) as of and for the ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 8, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2019

OHIO AUDITOR OF STATE KEITH FABER



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 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 Northmont City School District's major federal program for the year ended June 30, 2018. 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 programs.

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.

Opinion on the Major Federal Program

In our opinion, Northmont City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018

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Phone: 937-285-6677 or 800-443-9274
www.ohioauditor.gov

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 the 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 would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2019

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material 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)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster
<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 CFR § 200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



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
MARCH 26, 2019**